



**No mood to party**  
After peace with the Arabs, the next war will be between people here in Israel



**My US presidents**  
Historian Paul Johnson gives his personal view of eight US leaders he has known

# FT

FINANCIAL TIMES

OCTOBER 18/19 1997



**Fatal attraction**  
The marriage between Guggenheim and Bilbao is at once preposterous and logical



**Port uncorked**  
Jancis Robinson found a few surprises when she opened the vintages of the 1980s

Page I

Page IV

Page VIII

Page XVII

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## KPMG and Ernst & Young set to merge

Plan to create world's biggest accountancy firm

By Clay Harris and Jim Kelly in London

KPMG and Ernst & Young plan next week to announce a merger that would create the world's biggest accountancy firm.

Now the second and third-largest firms, their combined annual revenues of nearly \$16bn in 1996 would enable them to leapfrog the \$11.8bn total of Price Waterhouse and Coopers & Lybrand, which revealed plans to merge a month ago.

If both deals go ahead, the Big Six firms which emerged from the consolidation of the 1980s would be reduced to a Big Four.

The merger would increase concerns about reduced competition in auditing, especially in the UK. Only 12 FTSE 100 companies are not audited by a constituent of one of the two proposed mega-firms. KPMG audits 24, E&Y audits 18 while PW and Coopers

together account for 45. Dramatic client clashes loom in the US, E&Y audits Coca-Cola, while KPMG Peat Marwick audits PepsiCo. Another potential conflict is Citicorp (KPMG) and BankAmerica (E&Y).

Like PW and Coopers, Ernst & Young and KPMG are expected to stress the need for greater size to meet clients' increasing demands for global services in areas such as computer systems, information technology, tax, business reconstruction and recruitment.

They can cite as evidence the rush of big international takeovers announced this week.

A senior executive at another Big Six firm said last night: "This is all about keeping up with the clients who are globalising fast. I'm just surprised it's taken so long for someone else to act."

Both merger plans will need the support of partners voting in each country in which the firms

operate, and the approval of regulators in Europe, the US and Japan. E&Y has a more globally integrated operation than its merger partner, as KPMG is widely seen as a looser federation of national firms.

Both firms refused to comment last night, but KPMG partners have been called to an urgent meeting in the UK on Tuesday. E&Y partners in the UK met in Birmingham yesterday.

Other Big Six firms believe that while KPMG and E&Y may be sincere about their merger plans, the move may also be designed to force regulators to look at both planned mergers at the same time - possibly resulting in both being blocked.

"This forces the regulators to look at both plans - it may well be a spoiler and we have been expecting that for some time," said a senior partner at another Big Six firm.

The move will focus attention on the Big Six firms which have been left out of the current round of merger proposals - Andersen Worldwide and Deloitte Touche Tohmatsu International. Andersen, now the largest with 1996 revenues of \$9.5bn, would fall to third place while Deloitte would lag with \$6.5bn.

Deloitte is understood to have been in talks with E&Y as recently as 10 days ago, but discussions are believed to have foundered on disagreement over job security for partners.

Andersen Worldwide is made up of two separate global organisations, accountants Arthur Andersen and Andersen Consulting. It is involved in a complex internal debate over governance but may now be forced to consider a merger.

Additional research by Peter Cheek and David Snaddon

Lex, Page 24

## A hero's farewell for Che Guevara



Thousands of Cubans wait for Che Guevara's memorial service in Santa Clara yesterday. At the ceremony, Cuban president Fidel Castro praised him as a 'moral giant'. Top place in pantheon, Page 3

## Japan and US move to avert trade war over ports

By Mark Suzman in Washington and Michio Nakamoto in Tokyo

Japan and the US were trying to head off a trade war yesterday as they opened emergency talks over a threat by an independent federal agency to bar entry to US ports for Japanese cargo ships, until their parent companies paid \$4m in outstanding fines.

The decision, taken by the Federal Maritime Commission, was due to take effect late yesterday afternoon. But the US Transportation Department said that implementation of the unprecedented measure would be delayed at least until today, adding: "We're hoping to resolve this thing through negotiations, not sanctions."

The threat marks an escalation in the dispute between the two countries over what the US claims are restrictive port prac-

tices in Japan. It prompted an angry letter from Takao Fujii, Japanese transport minister, to his US counterpart Rodney Slater warning it could damage "the whole Japan-US relation".

Officials from the US state and transportation departments opened emergency talks with Japan's ambassador to Washington Kunihiko Saito to try to resolve the issue, while negotiators from both countries continued their marathon discussions, which began late last week.

Robert Rubin, Treasury secretary, and Charlene Barshefsky, US trade representative, met White House officials to consider the administration's response.

The president is empowered to overrule the ban if he feels it jeopardises national security, but that is seen as unlikely. The three shipping lines affected - Nippon Yusen, Mitsui OSE Lines

and Kawasaki Kisen - have refused to pay the fines, due on Wednesday, while discussions continue. The FMC imposed the sanctions - the first against Japan in a decade - to try to force the government to help and costly restrictive practices by the Japanese Harbour Transportation Authority, which dominates stevedoring in Japanese ports.

After the shipping lines' refusal to pay, the four-member FMC voted unanimously to impose the ban. Little-used 1920 legislation, empowers the agency to take action against foreign shipping lines if their home countries are seen as discriminating against US cargo companies.

A ban would be devastating for the three companies and could have severe knock-on effects in both economies. Asia-US trade accounts for a third of the Japanese container business.

## UK set to rule out early Emu membership

By Robert Peston, Political Editor

The UK has, in effect, ruled out joining a single European currency before the turn of the century, a government statement is expected to imply.

Although the declaration, due in the next few weeks, will say there are no objections in principle to sterling participating in monetary union, it is expected to rule out membership while the UK's economic cycle is out of step with the Continent's.

This would mean sterling remaining outside until at least 2000, based on internal Treasury projections of when the economic cycles may become more closely aligned.

The precise wording of the statement is immensely sensitive, both in respect of its impact on markets and in shaping the UK's future influence in the European Union.

The Financial Times's recent disclosure that the government was adopting a more positive approach to Emu led to a record rise in share prices and a sharp fall in the value of sterling.

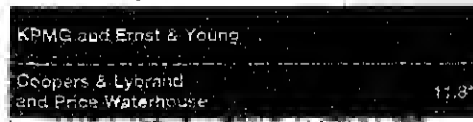
Tony Blair, the prime minister, wants to retain an element of flexibility about when the UK joins, without making himself vulnerable to constant questioning about the precise timing.

He and Gordon Brown, the chancellor of the exchequer, believe they can purchase breathing space by pinning sterling's entry on a requirement for the economic cycles to become more closely aligned.

They hope their approach will be understood by EU governments, given the sharp disparity between UK and German interest rates. However, without a formal timetable for sterling's entry, other government heads are expected to question Mr Blair's commitment and refuse to classify sterling as a currency only a step away from membership.

### Global accounting: more concentration in store?

Fee income (\$bn)



\* Assuming the merger goes ahead  
Source: International Accounting Bulletin, Dec 1996 World survey

KPMG ERNST & YOUNG

### News General

#### US factory output surges

US industrial production surged by a seasonally adjusted 0.7 per cent last month, the Federal Reserve reported, confounding financial market hopes of a slowdown in the recent rapid pace of economic growth, and raising the prospect of an early increase in interest rates. The rise was led by a sharp increase in production by electricity and gas companies. Page 4

**Pressure mounts over Swiss bank accounts:** More than 800 state and local government officials in the US plan to meet in New York next month to discuss ways of increasing pressure on Swiss banks to disclose information about dormant bank accounts from the second world war. The move comes amid evidence that some US states are starting to boycott Swiss banks. Page 2

**Oil companies rush to Sakhalin island:** Sakhalin, a Russian island north-east of Japan, is being transformed from a bleak outpost of communist outposts into one of the world's most tantalising capitalist frontiers as foreign oil companies rush to finish exploratory drilling before the seas freeze over for the winter. Hopes are rising that Sakhalin can supply much of Asia's fast-growing energy needs. Page 3

**Indonesia awaits monsoons:** Indonesia's fires do not rage through the forests; they sneak through the peat swamps of Kalimantan and Sumatra, invisible at times to both human eye and satellites. They are man-made - started to clear land for small-time farmers and vast commercial palm-oil plantations. Large parts of Indonesia's archipelago are still wrapped in a choking haze and only a full-scale monsoon will extinguish the fires. Page 7

#### Ten years after Black Monday

Would a repetition of the 1987 crash really matter? The cooling effect of a stock market correction could be a blessing in disguise. The real worry for policymakers - as in 1987 - is the risk of serious disruption to the banking and financial systems when deciding how to respond. Page 6

### News Business

#### Talks on MCI set to start

Two sets of tripartite talks involving the companies bidding for MCI Communications are set to begin shortly amid continued speculation that two of them - WorldCom and GTE - are considering raising the value of their competing offers. Discussions involving MCI, British Telecommunications, WorldCom and GTE will follow agreement between MCI and BT to relax rules which prevented talks with other companies taking place. Page 24; Editorial Comment, Page 6; Return of the Junk bond king, Page 7

**France Telecom sell-off breaks records:** France's Socialist government trumpeted the unprecedented success of the partial sell-off of France Telecom, despite its ambivalence towards privatisations during the election campaign. The operation broke all French records by attracting 3.9m individual investors. Trading begins on Monday. Page 24

**European stocks follow Wall Street's decline**  
European stock markets drifted lower yesterday in response to worries about Wall Street, which followed Thursday's 119 point decline with an early 80-plus point drop. A wave of mergers and acquisitions, which appeared to indicate that the corporate sector was preparing for economic and monetary union, marked the start of the week. One of the best performers was Italy, which gained 3.1 per cent on the week, on relief that the political crisis about the Budget had been resolved. Page 21; London stocks, Page 17; Lex, Page 24; Markets, FT Weekend Page XXXII

**Goldman Sachs and Yasuda in property link:** US investment bank Goldman Sachs has established a co-operation agreement with Yasuda Trust, a Japanese trust bank, to develop property business. The move comes as international investors are starting to express interest in the Japanese market after its collapse in the late 1980s. Page 24

**McDonald's problems worsen:** Problems at McDonald's, the US burger chain, turned from bad to worse in the third quarter as the stronger dollar took its toll on overseas profit growth, the company said. US profits continued their poor performance with a 2 per cent decline. However, overall net earnings edged ahead 3 per cent from \$40.6m to \$44.8m. Page 23

Contents

News	Companies	Managed funds
International News 2-4	Companies & Finance 22-23	Money markets 10-16
UK News 5	Markets 17	Other trading data 11
Weather 24	FTSE Actuaries 17	Recent issues 17
LEI 24	FTSE-A World Index 23	Share information 18, 19
	Foreign exchanges 9	World commodities 6
	Gold markets 23	Wall Street 20, 21
	Equity experts 17	Source 20, 21
	London SE 20, 21	
	US listings 21	
Men in the News 7	US listings 21	

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\*Source: Morningstar. Data to 30th September 1997. In US\$, 1:100. Since launch performance: China Fund (15.5.97-30.9.97), Madras Indian Equity Fund (15.5.97-30.9.97). (Published by Guinness Flight Fund Managers). Past performance is not necessarily a guide to future performance. The value of the underlying securities and the income from them and changes in interest rates and exchange rates may affect the value of the fund. Investments in emerging markets are subject to higher risk than investments in developed markets. While investing, investors should be aware of the risks involved. For more information, please contact your broker or the Guinness Flight Fund Managers. The Guinness Flight Fund Managers are not responsible for the content of any advertisement or for the accuracy of any information contained therein. The Guinness Flight Fund Managers are not responsible for the content of any advertisement or for the accuracy of any information contained therein. The Guinness Flight Fund Managers are not responsible for the content of any advertisement or for the accuracy of any information contained therein.

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## NEWS: EUROPE

US conference to examine ways to press Swiss banks over information disclosure

## Pressure mounts over Holocaust assets

By John Authers in New York and William Hall in Zurich

More than 800 state and local government officials in the US have been summoned to a conference in New York next month to discuss ways of increasing pressure on Swiss banks to disclose information about dormant bank accounts from the second world war.

The move comes amid evidence that some US states are already starting to boycott Swiss banks.

Alan Hevesi, the New York city comptroller, who dropped UBS last week as lead manager of a \$1bn

city financing, has invited insurance and banking regulators as well as local pension fund officials to New York on December 8 to discuss ways of co-ordinating their approach towards the Swiss banks. The conference has been launched following growing impatience among many local US officials at the Swiss banks' slow pace in dealing with the issue of the dormant bank accounts of Holocaust victims.

On Tuesday Matt Pong, treasurer of California, the biggest state in the US, halted dealings with Swiss banks. He said in a statement that the moratorium was "not imple-

mented to punish, but rather to encourage Swiss banks to increase their efforts to disclose information regarding dormant bank accounts from the second world war era."

Judy Baar Topinka, Illinois state treasurer, said on Thursday that she would find it "increasingly difficult" to do business with Swiss banks "under current circumstances".

Swiss banks this week launched a worldwide advertising campaign to highlight the "significant progress" they have made in identifying dormant accounts, providing financial help for needy Holocaust survivors, and returning assets to

their rightful owners as quickly as possible and at no cost.

In July they released a list of 1,785 names of foreign-owned dormant accounts totalling SF61.2m (\$42m) and on October 29 they are due to release a second list of just under 3,700 names of accounts totalling SF6m. In addition they will publish a first list of 10,000 domestic dormant accounts totalling SF12m dating back to the second world war.

The extra information being supplied by the Swiss banks has done nothing to quieten the Swiss banks' fiercest critic, Alfonso D'Amato, chairman of the US Sen-

ate banking committee. In a letter this week to Georg Kreyer, president of the Swiss Bankers Association, the US senator said that the Swiss banking system "has lost all credibility and cannot be trusted".

He said the banks had "tried their best to stall the world community, in a blatant effort to keep money that is not theirs and to cover up past injustices".

Senior US government officials have said that the latest moves against the Swiss banks are "counter-productive" and Mr Hevesi's office yesterday was keen to play down the significance of recent events.

## Yeltsin tames wild-eyed deputies in Duma

After a stormy week in parliament president promises uneventful autumn in which Russians can look forward to 'pickling cabbage'

With a victor's self-confidence, President Boris Yeltsin yesterday reassured the Russian people that this week's parliamentary drama would not affect their daily lives and called on lawmakers to reach a compromise with the government.

In his weekly radio address Mr Yeltsin couched his words in the homely phrases which are his hallmark. The Kremlin chief

promised Russians that, notwithstanding the heated rhetoric in parliament this week, this autumn would be "an ordinary one" for the country's common people, "a time for pickling cabbage, for preserving produce for the winter".

The president's folksy pledge followed a week which has yet again displayed the Kremlin's mastery over the Russian political scene. Two conciliatory telephone calls from Mr Yeltsin were enough to transform the wild-eyed deputies of the Duma, the lower house of the Russian parliament, into meek advocates of compromise.

Minutes after Mr Yeltsin's intervention, the Duma, which is dominated by leftist opposition parties, dropped its plans to hold a vote of no confidence in the government, a move which some ministers had warned could jeopardise Russia's fragile economic recovery.

Communist leaders, who initiated the no confidence vote, said they would reconsider the issue next week, but analysts are almost uniformly convinced that the jittery lawmakers will again lack the nerve. "The parliament completely misused," the chief economist at a leading western investment bank said. "That makes them look pretty silly and pretty weak. I would be very surprised to see any kind of vote next week."

The Duma's failure to act on its angry rhetorical opposition to the government - in a display of political theatre which has become almost an autumn ritual in Russia - has investors cheering. After nearly a decade of sustained economic depression, Russia at last seems on the brink of economic recovery.

A messy showdown between obstreperous parliamentarians and the cabinet, ministers warned, might yet again ruin the long-awaited upturn. "The result of this week's events is the reinforcement of the government's position," said Pavel Teplukhin, president of Troika-Dialog Asset Management. "For investors I would say that is a 'buy' signal because the general perception is that the government is more reformist than the parliament."

The verdict of the marketplace is shared by western governments, which are uniformly sceptical of the Communist-dominated, often disorganised Duma and strongly supportive of the reformist cabinet, which one senior US official has described as a "dream team". But there may be a problem. Some Russian observers warn that in the long-run a feeble Duma could be a liability.

Nikolai Petrov, programme director of the Moscow Carnegie Centre, argues that the Duma's weakness is not only the



A relieved looking Victor Chernomyrdin (left) and Boris Nemtsov (right) manage a smile during Wednesday's tense session of the Duma, when deputies delayed voting on a no confidence motion after the unexpected intervention of the president.

fault of disorganised deputies but is primarily due to Russia's presidentially dominated constitution, pushed through in 1993 by Mr Yeltsin after a bloody clash with the parliament. "It is almost a joke," Mr Petrov said. "The Duma is so poor and so dependent that last year it was even in a situation in which it could not afford to buy the paper it needed on which to print laws."

Even the power to approve the budget, the Duma's greatest prerogative and the root of this week's conflict,

can be effectively neutralised by the government. This year, for example, in the interests of fiscal probity, the cabinet produced and abided by its own streamlined budget which deviated hugely from the bill which had been passed by the Duma.

By ignoring the parliament's budget and pushing ahead with its own, more strict, programme, the cabinet contributed mightily to this autumn's tentative economic upswing. But Mr Petrov warns that, in the longer

term, Russia may come to regret having harnessed an almost omnipotent executive with an emasculated legislature.

"The president's power's are almost absolute, he is almost an elected autocrat," Mr Petrov said. "We have no guarantees against the appearance of a fascist or authoritarian leader. More normal democracy may not be so convenient at every moment, but it is better insurance against extremes."

Chrystia Freeland

## INTERNATIONAL NEWS DIGEST

## Poles close to coalition deal

Poland's trade union-led Solidarity Electoral Action (AWS) movement and the pro-business Freedom Union (UW) party reported yesterday that they were close to establishing a coalition to govern the country for the next four years.

The two groups' optimistic statement came as Jerzy Buzek, a 57-year-old chemical engineering professor, was formally nominated as prime minister by President Aleksander Kwasniewski, who is a former leader of the reformed communist Left Democratic Alliance (SLD) defeated in last month's elections.

Marian Krzaklewski, the head of the AWS and Leszek Balcerowicz, the UW leader, said yesterday their talks had "reached such a level of agreement that it could be said that a coalition will be established". The cautious statement suggested that the two sides are confident they will surmount remaining policy differences but that they still have to reach consensus on the division of posts in the government.

Christopher Bobinski, Warsaw

## UN AND IRAQ

## West split on sanctions

Russia and France last night parted company with Britain and the US on what action the UN security council ought to take in response to Iraqi intransigence.

London and Washington have proposed a travel ban on senior Iraqi military and other officers responsible for blocking UN inspections of weapons facilities. Moscow countered with a text that would allow "further measures" if the Iraqis failed to comply with UN orders.

France appeared to side with the Russians. Alain Dejamane, its delegate, noted that the UN inspection team had not asked for new sanctions in its report on the situation issued last week. But other diplomats observed that it was not customary for a UN official to make such a proposal.

Iraq has threatened to stop all co-operation with the inspectors if further sanctions are imposed and Juan Somavia, the council's president, said members did not "react well" to that. The council will take up the question again on Monday and a vote is expected later in the week.

Michael Littlejohns, New York

## SWISS FRAUD CASE

## Fugitive loses appeal

Werner Rey, a Swiss financier wanted by the Swiss police in connection with several charges of alleged bankruptcy fraud, has lost his second appeal against extradition from the Bahamas. He is still being held in prison in the Bahamas, and his lawyers plan an appeal to the UK Privy Council.

Swiss authorities claim that Mr Rey defrauded investors in Europe of more than \$1bn, and had debts of \$2.8bn when his investment business collapsed in 1981. Mr Rey, 54, was arrested in the Bahamas 18 months ago. The Swiss police said he is wanted on charges of fraudulent bankruptcy and business fraud. *Camille James, Kingston*

## PALESTINIAN ECONOMY

## Signs of recovery

The Palestinian economy is picking up, boosted by trade and a gradual fall in unemployment, according to the quarterly report published yesterday by the United Nations Special Coordinator in the Occupied Territories (UNSCO). But border closures imposed by Israel on the West Bank and Gaza during August and September have undermined the significant economic recovery.

During the first six months of the year, the volume of goods leaving and entering the West Bank and Gaza rose one-third compared to the same period the previous year. Truckload exports rose an estimated 37.3 per cent and imports grew by 32.4 per cent.

Full employment rose from an average of 64.1 per cent during 1996 to 70.3 per cent during the first quarter of this year, bringing the average unemployment rate down from 24 per cent to about 20.5 per cent. However, the Palestinian Central Bureau of Statistics warned that these figures do not include those no longer seeking jobs. The PCBS reckons the actual unemployment rate in the West Bank and Gaza was 49.1 per cent during the first quarter of 1997.

Judy Dempsey, Jerusalem

## HUNGARIAN POLITICS

## Nato vote will go ahead

The Hungarian government has changed course once more on the vexed question of whether to hold a referendum on Nato membership on November 16. Gyula Horn, the prime minister, announced yesterday that the referendum would go ahead as planned after saying on Thursday that the government might decide on membership without referring the question to a vote.

Mr Horn said it was necessary to demonstrate public support for the alliance before the start of negotiations to join the alliance. He said he was confident of a "yes" vote in the referendum.

Holding the Nato vote separately from a referendum on foreign ownership of land, planned to accompany it, will require a two-thirds parliamentary vote to reverse an earlier decision. All the main parties support Nato membership.

Anatoli Lieven, Budapest

## RUSSIAN CRIME

## A trainload of hooch

Police in St Petersburg seized nine rail cars containing approximately 630,000 bottles of counterfeit vodka bearing forged excise stamps, it was reported yesterday. Police say the vodka was produced in distilleries in the Russian Caucasian republic of North Ossetia.

Dozens of such distilleries operate in North Ossetia despite measures by the federal government to stop illegal vodka being produced and transported to other parts of Russia. Recent crackdowns have forced illegal producers of alcohol in newly independent states to seek other routes into Russia.

AP, St Petersburg

## ICELAND ECONOMY

## Boost for aluminium output

Olafur Ragnar Grimsson, Iceland's president, yesterday inaugurated the expansion of the Alcoa aluminium smelter at Straumsvik, which will provide a powerful boost to his country's economy.

The new production line, which has increased the smelter's annual capacity by 62,000 tonnes to 162,000 tonnes, was brought into operation in July three months ahead of schedule and at a cost of SF214m (\$147m), 15 per cent below budget. This would have a beneficial effect on the plant's economics as it would produce an extra 14,000 tonnes of aluminium this year, said Kurt Wolfensberger, head of the Swiss group's aluminium division.

The expanded smelter will permanently add 1 per cent to Iceland's gross domestic product and account for between 10 and 15 per cent of its merchandise exports.

Iceland expects to attract more aluminium smelting capacity by offering low cost hydro-electric power to an industry that uses vast amounts of energy. Construction of another 60,000-tonnes smelter has already begun and two further projects are being discussed with potential foreign investors by Landsvirkjun, the state power supplier.

Kenneth Gooding, Reykjavik



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## Malaysian budget moves to cool credit

Malaysia yesterday proposed a belt-tightening budget that analysts said might offer support to its battered currency and stock markets.

The budget was seen as one of the most crucial in the country's history following the regional currency crisis in Asia, which has seen the Malaysian ringgit plunge 27 per cent against the US dollar since July 1.

Anwar Ibrahim, finance minister, read out the measures in a 90-minute address to parliament that included sprinklings of Malay proverbs, a verse from the Koran and a quote from a Tamil poet.

The 1998 budget, a MYR4.12bn (US\$2.0bn) austerity plan, contained measures to cool the growth in credit and imports.

"The budget this time will not affect genuine investors, especially those setting up factories, manufacturing goods and doing business in the country," Mahathir Mohamed, the prime minister, said.

In a bid to stay competitive with its neighbours, Malaysia also proposed a cut

in corporate taxes to 25 per cent from 30 per cent. Singapore's tax rate is 26 per cent.

The budget, a 1.5 per cent increase in spending from this year, projected 7 per cent economic growth in 1998 following a decade of 8 per cent a year or faster expansion.

"Overall, much of it has been expected and already played out in the market," said Simon Flint, regional economist at IDEA in Singapore.

"Still, it's a sensible and intelligent response to the situation at hand."

Financial markets looking for tough action gave a lukewarm response to the package.

Disappointment pushed the Kuala Lumpur stock market index down 7.22 points, or 0.90 per cent, to a close of 784.80, while the ringgit slid to 3.2725/825.

Contagion from Thailand's economic crisis and concerns about the quality of economic expansion in Malaysia has sent Malaysian stocks down about 35 per cent.

The ministry of finance, in its annual economic report, said it expected about MYR13.9bn in short-term capital



Watched by Mahathir Mohamed, finance minister Anwar Ibrahim delivers a budget seen as a sensible and intelligent response to the Asian financial crisis

to leave the country this year resulting from the turmoil in the region's financial markets.

But Malaysia has pledged to set its house in order, and has said it intends to reduce the current account deficit to 5 per cent of gross national product or an estimated total of MYR13.08bn this year.

That is an improvement over 1996's 5.2 per cent. Higher duties on imports of cars and selected consumer goods and restricted heavy machinery purchases were announced.

Tax breaks for a variety of sectors including petroleum, insurance and education will be provided.

Seeking to head off potential banking problems, Malaysia said its central bank was tightening rules on the classification of non-performing loans to three months in arrears from six months and raising general provisions to

1.5 per cent from 1 per cent of total loans.

Thailand's banking system has crumbled, raising jitters about the health of financial institutions in Malaysia.

Mr Anwar said further measures might follow the budget if necessary.

"The economic environment is still unsettled. This uncertain situation will continue for some time as it is not only a domestic problem but a regional one."

## Thailand approves crisis decrees

By Ted Bardacke in Bangkok

Thailand's cabinet yesterday provisionally approved five emergency decrees designed to restructure the country's financial system, but delayed implementation for several days until they are fine-tuned by legal experts.

The delay disappointed Thailand's financial markets, which had expected more details of the restructuring plan to be announced with the approval of the decrees.

The Thai stock market closed down 1.1 per cent, while the domestic rate for the baht was Bt36.80 to the dollar, compared to Bt36.68 on Thursday. Offshore the baht continued its four-day slide, closing at Bt37.25 to the dollar, compared to Bt36.95 on Thursday.

Chaiyawat Wibulsawadi, central bank governor, admitted cabinet members had raised some objections to provisions in the decrees, but claimed the changes required were "so minor that I didn't pay attention to what they were".

Central bank officials did confirm that all commercial banks and finance companies would be required to make general provisions of 1 per cent of all loans but declined to give a starting date for that requirement.

Banks and finance companies will also have to contribute 0.4 per cent of both loans and deposits to a new government-run deposit insurance scheme.

Officials also explained how all creditors to finance companies which were liquidated would be treated equally. All assets of a liquidated finance company would become the property of the newly established Financial Restructuring Authority (FRA) and would be auctioned.

## Top place for Che in Cuba's new pantheon

By Pascal Fletcher in Santa Clara, Cuba

Cuba hurried Che Guevara yesterday after a week of carefully choreographed official mourning which revived the legendary guerrilla fighter's memory as a refurbished ideological symbol for President Fidel Castro and his socialist government.

The remains of Ernesto Guevara - always known as "Che" - had been lost for three decades since he was captured and shot by the Bolivian army. They found their final resting place in a specially built mausoleum in the central Cuban city of Santa Clara. Six of his comrades from Bolivia were also interred there.

The ceremony was attended by Guevara's widow Aleida and Mr Castro, who read a tribute to Che, praising him as a "true communist" and a "moral giant" whose reputation and example continued to reverberate around the world.

The event was the culmination of a week of official remembrance for the Argentine-born doctor who shot to fame in Mr Castro's 1959 Cuban revolution and went on to embody the spirit of revolution the world over.

The Cuban leader welcomed the return of the bodies of Che and his comrades as "a reinforcement" for Cuba.

Mr Castro, 71, now in his fourth decade in power, sees Guevara's enduring popularity among leftist idealists and revolutionaries as an asset in his crusade to preserve Cuba's socialist system in a world he believes is dominated by "imperialism" and "neo-liberalism".

"This land, this people, this revolution, that are yours, are still flying the flags of socialism," Mr Castro said.

and then in Santa Clara, the site of one of his most famous victories during the Cuban revolution.

In Santa Clara, a provincial city of faded elegance, images of Che and slogans extolling his virtues were blazoned on almost every wall. Mourners, some wearing T-shirts inscribed "Let your example descend upon our city", had paid their respects to the sound of blaring revolutionary ballads.

The only competition to this quasi-religious devotion came from billboards displayed by Catholic churches reminding passers-by that Pope John Paul "Messenger of Truth and Hope" is also due to visit Santa Clara during his planned trip to Cuba in January.

By a coincidence of the kind that political image-makers can only dream of, Guevara's remains - minus the severed hands - were discovered in Bolivia, dug up and flown back to Cuba in time for the 30th anniversary of his death.

The Communist party made him the focus of its fifth congress, held on October 8-10 to coincide with the exact date of his capture and death in Bolivia after his unsuccessful attempt to launch a peasant revolution there.

Since the disintegration of the Soviet Union Cuba has been looking for fresh symbols to shore up its ideological defences against what Mr Castro portrays as the increased threat of contamination from western capitalism.

The government has discreetly re-arranged its ideological pantheon as the figures of Marx, Lenin and Engels have faded along with memories of the Soviet bloc. Now, much greater prominence is given to home-grown Cuban heroes such as José Martí, the 19th-century independence hero, and Che, its adopted revolutionary son.

## Foreign forces decisive in overthrow of president in oil-rich African nation

## OAU appeal over Brazzaville troops

By Our International Staff

Forces loyal to Denis Sassou-Nguesso, Congo Brazzaville's former military ruler, consolidated their hold on the country yesterday amid growing international concern over Angola's intervention in the conflict and stability in the oil-rich region.

Yesterday the Organisation of African Unity (OAU) joined the United Nations in calling for an end to the fighting and the withdrawal of foreign forces - a reference to Angolan troops operating out of its Cabinda enclave.

In a statement from Salim Ahmed Salim, secretary-general, the OAU said it urged "all parties to end the killings and the untold suffering that has been unleashed on the innocent people... as well as the senseless destruction of infrastructure."

The deployment of Angolan troops proved decisive in Gen Sassou-Nguesso's victory earlier this week over President Pascal Lissouba, alarming Washington and the United Nations.

Both fear that the overthrow of a constitutional government in the Congo, formerly Zaire, and the involvement of foreign forces in the Brazzaville conflict could destabilise the region.

Gen Sassou-Nguesso's victory on Wednesday came only hours after Kofi Annan, UN secretary-general, asked the Security Council to send a peacekeeping force to Congo Brazzaville.

But the US and others have refused since July to give the go-ahead for the force until the two sides accept a genuine ceasefire and a plan for a peaceful settlement.

President Lissouba has remained in hiding and refused to concede defeat, despite the loss this week of the capital Brazzaville and the oil centre, Pointe Noire.

But there appeared little Mr Lissouba's forces could do to dislodge Gen Sassou-Nguesso's Cobra militiamen and allied Angolan troops.

Pointe Noire under Mr Lissouba was one of the last neighbouring supply bases for the Angolan government's former civil war rivals Unita, hence Angolan support for Gen Sassou-Nguesso.

Unita and the Angolan government fought a 20-year civil war until 1994, when they signed a peace treaty, but the former rebels have been slow to disarm their guerrilla army and surrender their weapons under a UN supervised peace plan.

Mr Kabila, who seized power there in May after an eight-month rebellion, has been seen by Gen Sassou-Nguesso as siding with Mr Lissouba. Several shells fired from Cobra positions in Brazzaville landed across the river in Kinshasa.

The simmering rivalry between Mr Lissouba and Gen Sassou-Nguesso exploded on June 5, when Mr Lissouba sent in his troops to disarm Gen Sassou-Nguesso's militia in advance of presidential elections that both men planned to enter.

Gen Sassou-Nguesso, 54, ruled from 1979 until the advent of multiparty politics in the early 1990s. Despite

his Marxist roots, he liberalised the economy and improved ties with the west.

He said on Thursday that he would announce a national unity government over the next few days to run the country during an unspecified transition to a presidential election.

Observers in the region say Angola deployed about 1,000 of its troops into Congo Brazzaville at the weekend from Cabinda, whose offshore oil-fields produce the bulk of the country's 720,000 barrels a day output.

Angolan troops' intervention, and reports that they virtually control Pointe Noire, raised fears that the conflict could spread as old alliances and rivalries resurfaced, and the neighbouring Congo was sucked deeper into the dispute.

During recent visits to the Congo capital of Kinshasa, Mr Lissouba had sought assistance from President Laurent Kabila.

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Technology at Ericsson Radio Systems (pictured here).

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## NEWS: INTERNATIONAL

# US surge sparks rate rise fears

By Gerard Baker  
in Washington

US industrial production surged last month, confounding financial market hopes of a slowdown in the recent rapid pace of economic growth, and raising the prospect of an early increase in interest rates.

Output grew by a seasonally adjusted 0.7 per cent in September, the Federal Reserve reported yesterday, led by a sharp rise in production by electricity and gas companies. The increase was the 14th straight monthly gain by the resurgent US industrial sector.

Though the jump in power utilities' output, by 4.4 per cent, was the main reason for September's increase, broad-based manufacturing growth has remained strong over the last few months.

Factory output grew by 0.4 per cent last month, and expanded at an annual rate of 8 per cent in the three months to September, following increases of 4.1 per cent and 6 per cent in the previous two quarters.

Financial markets were unnerved by the report. Bond prices fell, as investors interpreted the figures as increasing the likelihood that the Fed would raise interest rates, perhaps as early as next month. Stock prices also dropped. By 1pm the Dow Jones Industrial average was down almost 100 points at 7,841, following a 100-point fall on Thursday.

The most worrying aspect of the report for financial markets was the indication of emerging inflationary bot-

tlenecks in American industry. The capacity utilisation rate, an estimate of the proportion of industrial capacity in use and of industry's ability to meet extra demand without raising prices, rose to 84.4 per cent from 84.1 per cent in August.

Although much of that rise was also attributed to increased utilities' output, manufacturers' capacity use also edged up to its highest level since April 1995, and close to the rate normally associated with rising price pressures in the past.

In another report published yesterday, the Commerce Department said new housebuilding also rose strongly last month. Housing starts increased by 7.9 per cent to a seasonally adjusted annual rate of 1.5m in September, following revised declines of 5.1 per cent in August and 2.5 per cent in July.

Both reports suggest the US economy maintained a hectic pace throughout the third quarter - growth overall in the three months to September is expected to have been more than 3.5 per cent, following 3.3 per cent growth in the second quarter, and a rate of 4.9 per cent in the first.

But the critical question for the outlook for interest rates is whether that growth will translate soon into higher inflation - specifically whether it will result in increased wage pressures in the labour market.

Last week Alan Greenspan, the Fed chairman, said that at the current rate of growth in demand unemployment would continue to fall, which would eventually push up wages. So far such wage acceleration has not been seen, but central bank officials believe that that benign outcome is the result of short-term factors such as a heightened sense of job insecurity among workers.

# World Series limbers up for annual rite

By Mark Suzman  
in Washington and John  
Authers in New York

This evening sees the start of the World Series, the US's autumnal rite, which for almost a century has seen top teams from the National League and American League slug it out to find the best team in baseball.

This year's event, however, seems to underline some of the drastic changes which the sport has under-

gone in recent years. It could also serve as the prelude for more drastic reorganisation.

Neither of the two teams taking part would have qualified under the rules used until three years ago. And one team has only existed for five years. Neither of the teams with the best records in their league has qualified for the series.

The all-conquering Atlanta Braves, who amassed the best regular season record in either league, were elimi-

nated by the upstart Florida Marlins in only their fifth year of existence. They will now treat Miami to its first World Series as they face the Cleveland Indians - upset victors themselves in the American League against the Baltimore Orioles, who had amassed the league's best record.

The Marlins have reached the series faster than any other team in history, and they are also the first team to get there without first

winning a division title. During the regular season Florida, who had spent \$88m on free agent players during the off-season in an attempt to improve their chances, finished second to the Braves. Nevertheless, their record was good enough to win them a wild card slot in the playoffs - an innovation introduced in 1995 - and they made good use of it, first sweeping aside sweeping the San Francisco Giants and then beating Atlanta 4-2

in a best-of-seven playoff. The playoffs were expanded in an attempt to generate more interest, and to enhance television revenues. Most baseball games are not televised nationally but all play-off games are routinely broadcast across the nation.

The same logic lay behind the expansion of the leagues themselves, with the creation of the Florida Marlins and the Colorado Rockies in 1993. However, this too has been controversial. While

the Rockies have found great support in Denver, tonight's game will be the first time that the Marlins have sold out their stadium.

Baseball owners are discussing a series of proposals which would entail moving teams between leagues in an attempt to create more local rivalries, and get more interest from a public which seems more interested in football and basketball. Purists suggest reorganisation would alienate existing fans.

# Japanese film strikes chord with US audiences

Michiyo Nakamoto on optimism sparked by hit movie exploring the joys of ballroom dancing

When a Japanese salaryman takes up a hobby it is more likely to be golf than ballroom dancing. But Shohhei Sugiyama finds release from the prison of his humdrum life in the waltz and the tango.

Sugiyama's escape from the monotony of the typical salaryman's life is the subject of *Shall We Dance?*, a Japanese film which has become an unusual hit in the US and spurred talk of a revival in Japanese film-making.

The film about how Sugiyama discovers the joys of ballroom dancing became the highest-grossing Japanese film in the US this month with more than \$7.33m in box-office receipts. In a year of unprecedented critical acclaim for Japanese films, the US success of Masayuki Sudo's movie has fuelled talk that Japanese films have finally joined the international top league.

The US success has been something of a surprise precisely because it is a peculiarly Japanese tale, with few of the extravagant traps of Hollywood drama. For the thousands of Japanese who thronged to see the movie when it was released in its home country last year, Sugiyama's listless look as he takes the long train ride home to his suburban home, the narrow-minded disdain his fellow office workers show for a colleague who does not fit into the mould and the satis-



Tamayo Kusakari (left) and Koji Yakusho in *Shall We Dance?* which is seen as marking a revival in Japanese film-making

faction he feels in throwing his heart into the romance of ballroom dancing are all scenes they can relate to.

It could be that Sugiyama's sense that something is lacking in his life as a grey-suited businessman has struck a chord among audiences in the US as well.

After raking in \$30m (\$250,000) in Japan, there are expectations that *Shall We Dance?* could top \$10m in the US. That would be an unprecedented feat for an Asian film in the US, where, according to Miramax, the film's US distributor, only five foreign-language films have taken in more than \$10m.

But it is not just Suo's touching film that has reawakened foreign interest.

After a long period characterised by a conspicuous lack of commercial hits, there is growing optimism that the Japanese film industry has come back to life.

Earlier this year Shohhei Imamura won the Palme d'Or at Cannes for *Ungai*, the story of a man who, on release from prison where he spent time for murdering his wife, withdraws from society and reveals his feelings only to an eel.

*Suzaku*, an examination of life in an isolated village by Naomi Kawase, a young

film-maker, grabbed the Camera d'Or while Takeshi Kitano's *Hanabi* won the Leone d'Or at the Venice Film Festival.

In Japan an animated film by Hayao Miyazaki, *The Princess Mononoke*, has become the top-grossing film to hit Japanese screens.

The Japanese public has much to rejoice over the success of Mr Suo's film. The previous record for commercial success in the US was set by Akira Kurosawa's *Ran* more than a decade ago. That epic film about war-torn Japan grossed \$7.31m in 1985.

With a few exceptions the industry appeared thereafter

to have gone into hibernation.

The large studios churned out mainly sequels to a handful of familiar, long-running series which were shown at affiliated cinemas. The situation had deteriorated to the point where advance tickets to new Japanese releases could be found at discount stores for a fraction of their published price.

Last year 280 Japanese films were shown in Japan against 320 foreign films, notes Miyahiko Miki, a film critic. The Japanese films grossed just \$23m against \$40m for foreign films, he says.

In spite of the current

excitement about Japanese films, many critics warn that the situation for talented film-makers remains difficult.

"There have been very many interesting works by young, independent film-makers," notes Kenichi Okubo, a film critic. The problem is that since the large Japanese film companies have stopped functioning as studios, they have stopped taking risks in bringing films to the market.

As a result, young and talented independent film-makers must bear a tremendous financial burden in order to bring their works to an audience, he explains.

Even if a large film company decides to support an innovator, independent director, the "income that film-makers obtain from distribution rights is not very good," Mr Miki says.

"The Japanese film industry is dominated by distributors and film-makers are not treated properly," he points out. "Unless it becomes more profitable to make films, young people would rather make video games."

Concerned analysts like Mr Miki say the recent overseas success of Japanese films could be a tremendous opportunity to revive the industry.

But like Sugiyama's intrepid office colleagues who remain set in their ways, the Japanese film industry is not yet dancing to the right tune.

## APOLOGY

Due to a printer's error some copies of yesterday's paper omitted some text on page 7. We apologise to readers for the inconvenience.

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# Queen feels 'prickly heat' of Indian politics

By Mark Nicholson  
in New Delhi

Britain's Queen Elizabeth yesterday wrapped up her diplomatically fraught six-day visit to India with an official statement denying she was displeased with the way the British government had handled her state tour, and thanking Indians for the warmth of their welcome.

But the fact any such statement was felt necessary is an indication of how troubled her third state visit to the former British colony was.

It was designed to celebrate India's 50th anniversary of independence but left Indian officials and press bristling over an unwelcome "whiff of the Raj".

There were genuine moments of warmth - although nothing resembling the packed and cheering Indian streets which greeted the Queen on her previous trips in 1961 and 1983. However, what may prove her last state tour of Britain's "jewel in the crown" will be remembered more for the diplomatic equivalent of prickly heat generated between London and Delhi.

The Queen's visit did have its successful moments, among them the laying of a wreath at Jallianwalla Bagh in Punjab, a "special gesture" to 370 unarmed Indians slain 89 years ago by British troops in one of the Raj's worst atrocities.

This had been billed as the visit's most controversial event. L.K. Gujral, India's prime minister, had initially warned against the Queen even making the trip, and there were widespread calls before the visit for her to apologise publicly for the

massacre. In the event she was cheerily received.

Most other things, however, seemed to go wrong - from a reported gaffe by the Duke of Edinburgh at Jallianwalla Bagh to a diplomatic spat over whether or not protocol permitted the Queen to speak at a Madras banquet. But neither affair would themselves have troubled the Queen's visit had the stage not been set even before her arrival for a press and diplomatic rumpus over Kashmir.

The spark was a reported remark from Robin Cook, the accompanying British foreign secretary, that Britain would be willing to mediate between India and Pakistan in their dispute over Kashmir, should they decide to seek the UK's good offices. This has long been the British position. And India has consistently refused any such offer.

But India's officials and its press considered it worse than bad manners for Mr Cook apparently to raise the issue of Kashmir before the Queen's visit. Mr Gujral tartly responded by rejecting any "mediation" from a "third rate" country. The Indian media leapt on the story, likewise the travelling British press, accusing Mr Cook of "misleading" foreign policy. Even British diplomats privately wondered this week whether the airing of an issue on which Indian officials and the press are so supremely sensitive was wise.

"It'd be the last person to defend the violence of the Indian press when it comes to Kashmir," says Vinod Mehta, editor of Outlook magazine. "But while we can be rational about most sub-

jects, Kashmir is a blind spot. And you only have to live here a couple of weeks to know that."

Moreover, official and journalistic India was on alert for just such a controversy. Behind the ruckus is the widespread Indian suspicion that the British Labour party is "pro-Pakistan" and the government more assertive regarding Kashmir than its Conservative predecessor. This view derives in part from a 1995 Labour statement that Britain "is under an obligation" as the "former imperial power" to seek a settlement of India's and Pakistan's differences over Kashmir.

The diplomatic danger for Britain is that Mr Cook may have entered the Indian pantheon of whipping-boys, whose every move and utterance is subjected to the most distrustful critical scrutiny by press and officials alike. A previous victim was Robin Ramsay, former US assistant secretary of state for South Asian affairs, who never lived down reportedly "pro-Pakistan" remarks on an early visit to India, and excited diplomatic heat at every statement and visit thereafter.

It will not have helped that Mr Cook was felt by some Indian officials to have been "brusque" and "patronising". Nevertheless, British diplomats believe no lasting harm has been done. And even some Indian commentators wondered whether India was not being a bit too touchy.

"What is the state of our self-confidence?" asked Ashok Desai, a columnist in the Business Standard newspaper this week.

# Summit offers chance to repair damage

The Commonwealth summit in Edinburgh next week offers Britain and India a chance to repair some of the diplomatic damage done during Queen Elizabeth's state visit to India this week, UK officials suggested yesterday. David Buchanan reports.

In the opening ceremony L.K. Gujral, the Indian prime minister, has been chosen to reply - on behalf of the UK's 52 Commonwealth partners - to Tony Blair, the British prime minister and host UK Foreign Office officials hope that Mr Gujral will use his speech to emphasise the importance to India

of the Commonwealth and thus, indirectly, of relations with Britain. To strike a balance Nawaz Sharif, Pakistani prime minister, has been chosen to open the first working session.

Meanwhile, Robin Cook, the UK foreign secretary whose offer to mediate over Kashmir did most to raise Indian hackles, yesterday added a domestic twist to the controversy by suggesting the previous Conservative government had mistimed the Queen's visit during the 50th anniversary of Indian independence.

Outcry

Rail link problems denied as costs rise

Rugby

World

مكتبة الامم المتحدة



Reforms aim to trim budget by making lawyers take cases on 'no win, no pay' basis

## Outcry at Irvine plan to cut legal aid

By George Parker and Robert Rice

The government will today announce the biggest cut in legal aid since the scheme was introduced in 1989, provoking an outcry from the legal profession and consumer groups.

Lord Irvine, the Lord Chancellor, plans to end legal aid for most civil actions and for litigation with less than a 75 per cent chance of success, as part of a package to cut more than £300m off the annual £1.5bn budget.

Downing Street yesterday portrayed the moves as an attempt to crackdown on unscrupulous law-

yers who took large sums of public money to pursue weak or trivial cases.

In future lawyers will have to take on most civil cases on a "no win, no pay" contract, a measure which Lord Irvine believes will encourage lawyers to make a realistic assessment of the strength of the case.

Lord Irvine, speaking at a law conference in Cardiff, will claim the "no win, no pay" system will open up the civil law to the middle classes, who do not qualify for legal aid but cannot afford to pursue their claims through the courts.

"Legal aid must be refocused," he will say. "It must be made a tool to promote access to justice for the needy, not seen by the public as something basically keeping lawyers in business."

Downing Street yesterday admitted the reforms would be "controversial", but said the country could no longer afford an open-ended, demand-led legal aid budget, which had increased from £682m to £1.5bn in just six years.

"Those people who will suffer are the lawyers who profit from pursuing weak cases at the public expense, and people who are using legal aid to pursue weak and trivial

cases," a spokesman said. Phillip Sycamore, president of the Law Society, said: "What we are seeing is signposting not to a compassionate Britain, but to a Britain in which there will be a severe withdrawal of access to justice for a lot of our citizens."

The society also attacked the government for criticising legal aid lawyers. "The government shouldn't try and camouflage what are in effect draconian cuts in legal aid with anti-lawyer rhetoric," it said.

Tony Blair, a former pupil of Lord Irvine in legal chambers, yesterday signalled his full support for

the programme in spite of opposition from the legal profession.

Lord Irvine and the prime minister believe these reforms will be seen as an indication of the government's determination to make the hard choices necessary to modernise the welfare state," a Downing Street spokesman said.

Under the reforms, the civil legal aid budget will be capped for the first time, raising the prospect that some litigants at the end of a financial year might find that funds had run out.

Last year there were approaching three million civil legal aid cases.

### UK NEWS DIGEST

## Survey supports ethical pensions

Almost three-quarters of adults belonging to pension funds or considering joining one think their money should be invested ethically, according to a survey published today. But only one-third of the 700 adults surveyed wanted ethical investment even at the risk of lower returns. Ethical funds account for less than 1 per cent of UK pension assets.

Ms Karen Eldridge, head of client services at the Ethical Investment Research Service, which commissioned the research from polling company NOP Solutions, said: "The financial services industry is missing a trick here."

Respondents strongly rejected investment in weapons manufacturers and businesses conducting animal tests. But less than half objected to investing in tobacco companies. Twice as many men as women dismissed ethical criteria as irrelevant to investment decisions.

Ethical investment of pension fund assets has gained little ground in the UK due to ignorance and nervousness, said Ms Eldridge. "At the moment only personal pension buyers can choose to have a pension with an ethical policy, and then intermediaries advising them do not always tell them the choice exists." The trustees that run the final salary, employer-sponsored pension schemes with the bulk of assets are nervous of investing according to ethical criteria. Narrow interpretations of the law suggest it is illegal to do this if members could be financially worse off as a result.

Jonathan Guthrie

### FILM INDUSTRY

## Two franchise contracts signed

The Arts Council has signed contracts to launch two of the three film production franchises funded by the national lottery. It expects to sign off the third within the next week. Negotiations with the three franchisees, which will receive a total of £92.5m (£49.8m) in lottery subsidies over six years, have taken longer than expected. When the council announced the awards at the Cannes Film Festival last May, it hoped to complete the contractual arrangements by early September. But the process, which involved putting private sector finance for the companies into place, proved unexpectedly complex.

This week, the council signed contracts with The Film Consortium, backed by Richard Branson's Virgin group, and Fabre Productions, linked to the French entertainment company. Talks are still under way with DNA Pictures, founded by Andrew Macdonald and Duncan Kenworthy, producers of *Trainspotting* and *Four Weddings and a Funeral*. Charles Denton, chairman of the Arts Council's film advisory panel, said he hoped to sign contracts by the end of next week.

Alice Ransworth

### PRISONS

## Senior governor condemns cuts

"Irreversible damage" is being caused to the Prison Service by the way its budget is allocated, according to Chris Scott, chairman of the Prison Governors Association. "Truly appalling" cuts will leave staff and services at "dangerous and damaging levels", Mr Scott writes in a letter to Richard Tilt, director-general of the Prison Service. In the letter, sent last Sunday and seen by the Financial Times, Mr Scott complains that the way funds are distributed by the Prison Service is so inefficient that it leaves many governors with "real-terms" budget cuts that are "inadequate to meet a continuation of the current levels of service". Mr Tilt has not yet replied.

Mr Scott says the distribution system is "more than discredited", especially in the light of the escalating prison population. This has risen by 2,800 since May's general election - enough to fill six new prisons.

Simon Buckley

### PENSIONS

## Tax on funds could hit business

The National Association of Pension Funds has warned that a capital gains tax on pension funds would double taxation rates for scheme members and lead to a loss of business in the City of London.

In its response to the government review of corporation tax, the association, which represents the UK's leading institutional investors, said that a tax would increase costs and risks for UK fund managers. Ann Robinson, director-general, said: "We need to encourage the liquidity of financial markets, not glue them up."

Jane Martinson

### CORPORATE GOVERNANCE

## Warning over incentive schemes

A leading corporate governance consultancy has warned that executive incentive schemes introduced in the past year could pay out maximum awards for mediocre performance. A review of 103 companies that introduced new measures in the past year by Pirc, the consultancy, found that 72 per cent of the new executive share option schemes paid out awards for annual earnings growth of 2 per cent above inflation. Research into average earnings per share growth found that they rose by more than this target in seven of the past 10 years.

Jane Martinson

## Rail link problems denied as costs rise

By Charles Batchelor, Transport Correspondent

The total cost of the high-speed rail link to the Channel tunnel between England and France has risen by £1.4bn (£2.28bn) to £5.4bn and the proposed financing package may be delayed until the second half of 1998, but the project remains on course, senior executives involved in the scheme said yesterday.

Railtrack and a number of property companies have expressed an interest in joining the project but the eight founding shareholders of London & Continental Railways, the promoter of the project, denied that it had run into difficulties or needed outside assistance. However, if would-be partners made worthwhile proposals they would not be excluded.

LCR last year won a 999-year concession from the government to build and operate a 68-mile link between London St Pancras rail station and the Channel tunnel. The link would cut 35 minutes off journey times between London, Paris and Brussels, and is due to open in 2003.

The financial package is expected to include a £500m bond issue even though such issues are not normally made at the construction stage of a project such as this one, when the risks involved in tunnelling have still to be resolved.

The bond issue is expected to include innovative features which LCR believes will overcome the qualms of investors.

The financing will also involve an equity issue of nearly £1bn, possibly in two tranches, and the raising of £3.5bn of debt from European, US and Japanese banks as well as international institutions such as the European Investment Bank and the German Bank for Reconstruction.

LCR's shareholders are Bechtel - a US project management group, SNC Warburg - Virgin, National Express, Systra - a consultancy owned by French Railways, London Electricity, and Arup and Halcrow - both design engineers.



Barclays Bank staff form a picket line at the Soho Square branch in London. Staff across the country took industrial action yesterday over what they claim is a pay freeze

## Institute seeks better standard of director

By Andrew Edgediff-Johnson

The Institute of Directors wants to create a new class of "chartered directors" in an attempt to establish a professional standard for UK directors for the first time.

The Institute hopes the measures will cut down the number of corporate failures and improve the reputation of company directors, which it says has been "damaged by a number of bad eggs", ranging from Robert Maxwell to rogue directors of small companies.

Those who meet the new standard could use the letters CD after their name. The IoD would be able to "strike off" those who fell short of the standards. It would not have the power of some chartered institutes to exclude failed directors from their profession.

John Harper, IoD professional development director, who has drawn up the proposals, said: "This will separate the crooks from the honourable directors."

The IoD has applied to the

Privy Council for the Queen's permission to use its royal charter to examine directors' knowledge, conduct and professional experience.

The IoD yesterday posted letters to its 26,000 fellows and members, inviting them to vote on the proposals at a special general meeting on November 26. It needs a simple majority to amend its by-laws. It hopes to hand out its first qualifications by January and for the standard to be commonplace within 10 years.

The IoD is keen to target directors of small and medium enterprises as well as large listed companies. It is approaching headhunters and bankers to encourage new directors to adopt the standard. Mr Harper said: "I believe in 10 to 20 years people will be very reluctant to appoint directors to senior positions if they don't have this qualification."

To earn the qualification, a director would need to show he had sufficient experience, sit a three-hour examination, find an IoD fel-

low to propose him and be interviewed by a panel of senior directors.

The examination, based on the IoD's company direction training programme, will cover finance, strategic business direction, marketing and employee issues.

"The board's most important decisions will be about the future prosperity of the company, so it needs people who understand the interaction of all those functions," Mr Harper said.

The code demands directors should exercise leadership, enterprise and judgment; observe standards of good practice; exercise responsibilities to staff, customers and the community; refrain from anti-competitive practices; avoid conflict between personal and business interests; and not damage the IoD's reputation.

If a director were suspected of a breach of code, the IoD would investigate the person. It would publicise withdrawal of any chartered director's title.

Lex, page 24

## Northern Ireland parades plan attacked

By John Murray Brown in Dublin

Unionists responded angrily yesterday to draft legislation published by Mo Mowlam, the Northern Ireland secretary, establishing an independent commission to take over from the Royal Ulster Constabulary in giving rulings on contentious parades in the province.

The commission will get powers to re-route or impose restrictions on disputed Prot-

estant Orange Order marches through nationalist areas.

The RUC, which currently "rules" on parades, could still intervene on grounds of public order.

For three years, since the paramilitary ceasefires, parades have been the main bone of contention between unionist and nationalist communities.

Violence erupted in July, souring the atmosphere at the multi-party talks, after

police forced Orangemen from the Protestant church of Drumcree through a largely nationalist enclave outside Portadown.

The bill, which the government expects will become law in time for the 1998 marching season, was criticised by David Trimble, the Ulster Unionist leader. He said Ms Mowlam had "banded over massive powers" to a body which was "unelected, and unaccountable".

Mr Trimble warned that if the commission "behaves in an uneven and unfair manner, we are in difficulties".

The Orange Order said: "There is nothing in this legislation for us and we reject totally their thinking that allows our faith, tradition, and culture to be treated with such contempt."

The order, which runs most of the 3,000 summer marches, added: "It is long past time that the government listened to the ordi-

nary, law-abiding people of Northern Ireland, rather than continually pandering to militant republicans."

Ian Paisley, justice spokesman for the smaller hardline Democratic Unionist party, said the commission would "erode Protestant culture".

However David Adams, of the fringe loyalist Ulster Democratic party, said he would "reserve judgment until we see how the commission actually works".

## Farmers warned that profits may halve

By Maggie Urry

Farm profits in England fell by nearly a quarter on average last year, in spite of a record harvest, and will almost halve in the current year, according to a report from accountants Deloitte & Touche.

The report, based on a survey of the firm's agriculture clients, who farm 100,000

hectares, is the first detailed assessment of farm incomes in 1996-97.

The bottom 25 per cent made a loss and should consider giving up before they are forced out of business, said Vincent Hedley Lewis, the Deloitte partner in charge of agriculture.

He advised farmers to cut labour costs by replacing permanent staff with casual

workers and to consider buying second-hand equipment instead of new. He also suggested hiring rather than buying machinery.

The fall in farm incomes is likely to affect agricultural machinery makers as farmers cut investment.

The report found average net farm incomes, before tax and the farmer's salary, fell from £363 (£588) to £278

(£450) a hectare in the financial year to June 30. Deloitte forecast a drop to £132 a hectare in the current financial year, taking profits down to levels last seen in 1992, before a series of good years. Wheat prices for the record 1996 harvest fell from £125 a tonne in June 1996 to £90 a tonne by Christmas. This year all farmers will be subject to the lower prices

still prevailing. Yields are also down.

Particularly hard hit in 1996-97 were potato farmers. Average prices fell from an exceptionally high £153 a tonne in 1995-96 to £54. A farmer with a mix of crops such as wheat and potatoes suffered a drop in average income from £462 to £160 a hectare last year and faces a further fall to £39 a hectare.

## Rugby faces trying times off the field

England's rugby union clubs face desperate times. After losing an estimated £15m (£24.3m) last season, the top 24 clubs in the Allied Druher league remain in deep financial trouble. Despite the tens of millions of pounds poured into them during the past two years, they continue to lose money by the bucketful.

More worryingly, the patience of rugby's millionaire owner-investors is wearing thin and another season of heavy losses could prompt their exodus from the sport.

"How long will sensible people chuck money down the drain?" asked one this week.

The sport's plight was highlighted on Monday when Bristol, in south-west England, was warned by its auditors that if it did not find a new source of finance

The union game's money men are losing patience with substantial losses, writes Patrick Harverson

soon it might have to cease trading. Last year the top division club - traditionally one of the best supported - lost £487,000. Others lost more money. The owner of the north London club Saracens, comments wryly: "I wish we'd only lost half a million."

Even success on the field does not stem the tide of red ink. Last season Wasps, in west London, lost more than £540,000 on turnover of £1.6m, in spite of winning the league championship. In club rugby the costs (especially player wages) are too high, the revenues are too low and the crowds too small to make money.

While the clubs accept

some of the damage is self-inflicted - they know they have paid the players far too much - the biggest and most immediate problem is the chaotic state of the fixture list.

The long interruptions to the domestic league schedule caused by European competition this month, and four England internationals next month, have made it impossible for the clubs to attract a loyal following among non-core rugby supporters.

The situation is so bad that three months into the season, Wasps have yet to play a home game in the Premiership. Their first is today against Saracens, followed two weeks later with

another. Then there is a six-week gap before the next home game.

Nigel Wray says: "To finance the whole of November with no money coming in - it's not a business proposition. I could never, ever make Saracens successful on that basis."

Further disruption occurs in February when the Five Nations championship - the main competition in the northern hemisphere - begins. Wasps will play just one home game between January 11 and March 15.

"We have no chance of developing any customer loyalty with such a disrupted fixture list," bemoans Chris Wright, the media

industry millionaire who owns the club. "Also, from an overall cashflow standpoint, it's absolute suicide."

Fortunately, the Rugby Football Union, the game's ruling body - which has created much of the problem with its scheduling of so many England internationals before Christmas - takes the clubs' point.

Cliff Brittle, the RFU's chairman, has admitted that too many international matches are being played this season, and last week the RFU met with the clubs to discuss next season's fixture list.

But not every club believes the RFU will always put the interests of the England team before the interests of the clubs.

Even if the relationship between the clubs and the RFU is as good as some



Wasps in action: owner Chris Wright says disrupted fixtures mean 'cashflow suicide'

their own affairs because otherwise the RFU will always put the interests of the England team before the interests of the clubs.

One owner says the clubs should be allowed to run

people claim, the game's administrators will have to move quickly if club rugby is to have a future as a professional sport.

While other needs will eventually have to be addressed - wage inflation

must be controlled and live club rugby must return to terrestrial television - there has to be a speedy resolution to the fixture list problem. Otherwise, rugby's wealthy backers will take their money elsewhere.

## World championship marks watershed for the European game

Yesterday saw the final of rugby league's world club championship in Auckland. The competition was meant to point to a bright new future for the sport. But instead of thrilling the crowds, it produced a series of one-sided games, as too many European clubs discovered they were not in the same league as the Aussies.

Yet this will be the first and last

final to be played under the present format.

The tournament is part of the master plan from media magnate Rupert Murdoch's News Limited, to develop rugby league from its Australian base into a worldwide sport. Rather than work with the Australian Rugby League, which had run the game since 1907, Mr Murdoch sidestepped the ARL's

existing television contract and signed up leading players and clubs for a new Super League. Separate deals brought overseas leagues - including the Rugby Football League in the UK - into the fold. The world club championship, bringing together the best from Australasia and Europe, capped the structure.

The ARL, however, refused to curl

up and die. Operating with a rump of clubs clustered around Sydney, it went on organising its own competition: the recent 1997 grand final was a stunning match. ARL kept its Sydney public and denounced Super League at every turn.

A deal between Super League and the ARL is finally expected to be announced next week, with a 20-team unified competition in Australia.

Posterity may judge the world club championship harshly, and yet the competition, by exposing its failings, has finally galvanised the British game into a determined effort to put its house in order.

After the first phase of the competition in June we realised that we had to take action if we were ever to get on in level terms with the Austral-

ians," says Neil Tunncliffe, deputy chief executive of the RFL.

"If that is the legacy of this competition, we will all look back on it as a genuine watershed for the European game."

Martyn Sadler

The author is editor of Rugby League Express



## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

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Saturday October 18 1997

## Bids, deals and jobs

On Monday the European business community found itself contemplating five large cross-border mergers in a single day. Two of them were hostile. In a continent which has traditionally been suspicious of Anglo-Saxon capital market practice, this is unprecedented. Does the recent spate of deals herald a wave of restructuring that will help address Europe's economic problems?

Continental Europe has unquestionably been inefficient in its use of capital when compared with the English-speaking economies. The penalty for such inefficiency has greatly increased as a result of the integration of the transition economies of eastern Europe and the newly industrialising countries into the global market place. This has raised the opportunity cost of investing in the developed world, increasing the pressure on companies to raise returns to capital.

At the same time the completion of the single market in Europe, capped by the impending launch of the euro, has added impetus to the corporate urge to achieve pan-European economies of scale and scope. Many of Europe's industries are still fragmented and in need of consolidation. If mergers and acquisitions provide a means of achieving a more efficient use of capital and a more competitive industrial and commercial structure, they are potentially welcome.

Most of the recent deals can claim some measure of industrial logic. Both the hostile bid by Generali, Italy's highest insurer, for France's AGF, and BAT Industries' deal with Zurich group could contribute to a rationalisation of the insurance market in Europe and outside. There is a clear regional logic to the merger of Sweden's Nordbanken and Finland's Merita. Reed Elsevier and Wolters Kluwer have complementary features in publishing, while Lafarge's hostile bid for Redland brings European capital market discipline to an Anglo-Saxon underperformer in the same industry.

### Shareholder value

Yet the academic evidence that bids result in increased efficiency is, at best, weak. Because of the asymmetry of information between the bidder and the target, bidders – especially hostile ones – often over-pay, destroying shareholder value while incurring excessive transaction costs. Industrialists,

egged on by fee-hungry investment bankers, find it more exciting to trade in companies than to focus on operational management, despite evidence that competitive advantage derives chiefly from this less exciting activity.

In the thrill of the chase, managers often overlook the difficulty of integrating large companies. Those difficulties are multiplied when the cultural differences are national as well as organisational; and they are further compounded where the bids are hostile. So while some of these takeovers will succeed, it would be surprising if continental Europe defies the most compelling Anglo-Saxon statistics on takeovers, which hold that the biggest losers are usually the shareholders in the acquiring company.

### Final analysis

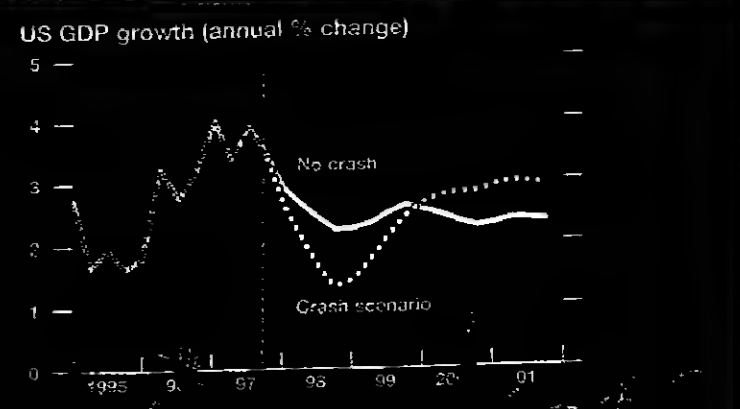
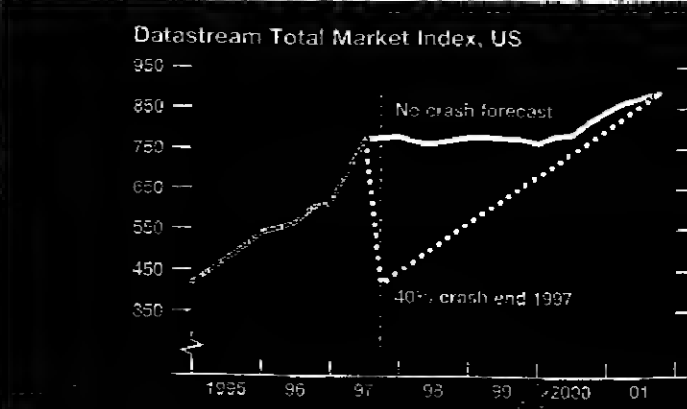
The wider risk is what happens when a more flexible capital market meets a labour market that remains very inflexible. In the final analysis, Europe's biggest economic problem is not the inefficiency of its capital markets but the inability to create private sector jobs.

The much greater power of labour in continental Europe relative to the English-speaking economies means that takeover-induced labour shedding will be a slower process. Even so, the pressure for increased returns is real. And in the absence of a greater assault on labour market rigidities, smaller companies' ability to generate new jobs to compensate for job destruction among the giants will remain seriously impaired. The political and social consequences of this unbalanced combination of sclerotic labour and more efficient capital are very worrying.

Ideally, greater freedom in capital markets should go hand in hand with the liberalisation of employment practice. Yet the most striking feature of the politics of continental Europe is the lack of willpower. In this area at least, demonstrated by the leaders of the largest countries. So progress is likely to be slow and the outcome messy.

Against that background there should perhaps be less emphasis in capital markets on takeovers and mergers, more on addressing the woeful deficiencies of European venture capital. Helping smaller companies will not generate vast fees for investment bankers. But it could make a useful contribution to jobs growth.

## Wall Street: life after a crash



# Would a crash matter?

Ten years after Black Monday, Robert Chote asks how much economic damage another stock market fall would cause

**M**ike Sienkiewicz has a nice problem. As business manager for two luxury car dealerships in Rockville, Maryland, he has more people wanting to buy Porsches, Audis or Lexuses than he has cars to sell. The soaring stock market has been great for business and "we are all holding our breath and hoping that nothing changes soon".

Ten years ago tomorrow, something did change. The bull market that had been under way since August 1982 came to a dramatic, albeit temporary, end. The Dow Jones Industrial Average plunged by more than 22 per cent on "Black Monday", reversing most of its gain from the previous 12 months. In London share prices fell 10 per cent on Monday and 12 per cent the day after.

In the minds of economic policymakers, the meltdown rekindled memories of 1929, when a crash became a depression. In response, the US Federal Reserve eased the tight-money policies it had put in train that summer, pulling short-term interest rates back below 7 per cent. Economists assumed that the market crash would slow the real economy by making people feel poorer and reducing the amount they spend.

In the event, these fears appeared overdone. Although consumer spending dropped in the fourth quarter of 1987, it rose again in the first three months of 1988. Aided by strong export demand, US economic growth overall remained healthy through 1988.

As the 10th anniversary of Black Monday has approached – and as present-day stock market valuations have become increasingly difficult to justify – economists and policymakers have turned their minds to the possibility of another crash. In the minutes of its meeting last month, the Bank of England's monetary policy committee cautioned: "High and rising stock market prices were a concern both because of their immediate contribution to the rapid growth of consumption and because, if they proved unsustainable and fell abruptly, they might create a shock to the real economy".

But would a repetition of the 1987 crash really matter to the economy or to the man and woman in the street? The answer to this question hinges largely on whether the so-called "wealth effect" would be stronger or weaker than a decade ago.

Economic forecasters in the UK estimate the impact of stockmarket movements by assuming that people try to maintain a particular ratio of wealth to income. If soaring share prices raise wealth above this level, people will spend part of the excess. Conversely, a stock market crash would prompt them to spend less and rebuild their wealth.

Increases in financial wealth – including shareholdings – are likely to stimulate more spending than an equivalent increase, say, in house prices. This is because it is easier to raise cash by disposing of a few shares than to sell your home or increase your mortgage. Oxford Economic Forecasts estimates that a 10 per cent fall in financial wealth reduces UK consumer spending by 0.8 per cent in the long term.

In the US, the wealth effect seems stronger. US forecasters often assume people have a target stock of wealth that they wish to hold at retirement to maintain the living standards they enjoyed in work. Conventional wisdom suggests that a 51 rise in US household wealth would prompt an extra 3 cents to 5 cents of consumer spending.

Earlier this year even 3 cents looked too high. Baffled Wall Street economists were writing off the wealth effect, as Department of Commerce statistics showed people saving a growing proportion of their incomes through 1995 and 1996, even though the Dow had risen by more than 50 per cent.

Alan Greenspan, the Federal Reserve chairman, told Congress in March that he shared their puzzle. "The surging stock market does not seem to have imparted as big a boost to spending as past relationships would have predicted," he said.

Mr Greenspan suggested that people might be saving more for their retirement, because they doubted the viability of the social security system. People on relatively modest incomes might also feel constrained by large debts, he added.

**T**he puzzle was resolved in part by revisions to US gross domestic product in August. The original figures showed savings rising as a proportion of income from 4 per cent in 1993 to 5 per cent in late 1996. The revised data painted a very different picture: the savings ratio peaked at 5 per cent in early 1995 before falling to 4 per cent by early 1997.

After revision, the wealth effect is alive and kicking," argues William Dudley, at Goldman Sachs in New York. "Evidence that the wealth effect has lifted spending in the last year or two suggests that US growth is more vulnerable to a decisive downturn in stock prices, whenever that should occur."

But just how much damage would a stock market crash do? Kurt Karl, of the WEFA economic consultancy in Pennsylvania, believes a crash would put a

bigger dent in US consumer confidence and spending now than it did in 1987. This is because more people hold shares.

Between 1989 and 1995 the proportion of US families holding stocks rose from 32 per cent to 41 per cent. During this period the value of stocks held by US households – including direct holdings, mutual funds, life insurance and pension fund reserves – almost doubled to \$11.5 trillion and has continued to rise strongly. With more people owning more valuable shares, the possibility that a real crash will follow a stock market one seems greater.

However, James Poterba, professor at the Massachusetts Institute of Technology, is less certain. He notes that, although the numbers of individual shareholders are growing, stock ownership remains highly concentrated in the US. Even if you include the accounts for retirement saving that have contributed so much to the recent broadening of share ownership in the US, the top 1 per cent of equity-holding households still own half the stock. If so much is concentrated in a few rich families, then the wider wealth effects could be muted.

So how might these conflicting interpretations of the wealth effects balance out? In a special simulation carried out for the FT, Vanessa Rossi of Oxford Economic Forecasting estimated the impact of a 40 per cent crash in US share prices at the end of this year, triggering falls of 20 per cent to 25 per cent in other markets. Share prices are assumed to return gradually to their old levels.

Ms Rossi calculated that this scenario would knock half a percentage point off US economic growth in 1998 and 1999, with consumer spending dropping sharply in the first year, and then investment weakening in its

walks as companies find it more difficult to raise money from the stock market. Growth in the UK would fall by a third of a percentage point each year, with the impact in continental Europe smaller still.

Allstair Barr, at the London Business School, estimates that a 40 per cent stock market crash would have a larger effect on US growth, but says this would still not be enough to produce a recession in the technical sense that national output falls in two successive quarters.

Mr Karl believes this would result in a mild recession, because a stock market crash would have a dramatic impact on consumer confidence, magnifying the standard estimates of the wealth effect.

At a time when the International Monetary Fund has been warning about the inflationary dangers of strong economic growth and high capacity utilisation in the US and the UK, the cooling effect of a stock market correction might be a blessing in disguise. The real worry for policymakers – as in 1987 – is the risk of serious disruption to the banking and financial systems when deciding how to respond. Arguably, it may be worth supplying money to the banking system to save it, even if there were some inflationary problems.

No one can be certain what impact a stock market crash would have, especially as many people in the US are relatively new recruits to the shareholder society. The impact of the crash would of course depend on its size, speed, duration, cause and how policymakers respond.

But most policymakers and economists would share the view from the Maryland car dealership. "In the short-term at least," admits Mr Sienkiewicz, "I would certainly be worried."

## Booze cruise threat to traditional British pub

From Mr Anthony Fuller.

Sir, The debate following your publication of James Currie's letter (October 4) has missed the central point of how seriously duty-free allowances affect UK pubs by encouraging booze cruises. The Independent Family Brewers of Britain owns over 5,400 pubs and is seriously concerned by the increasing threat to the traditional pub from French beer imports.

The problem is that duty-free sales subsidise ferry fares: cheap fares (from as little as £1 return for a foot passenger, £10 for a car) contributed to a 30 per cent increase in cross-channel traffic last year, and the average cross-channel passenger returns with enough French beer to satisfy his total consumption for the following month.

Econometric studies show that 70-80 per cent of the 1.5m pints of beer brought in from Calais every day are substitutes for UK sales, mostly for sales in the pub. Kent pubs are estimated to be losing 27 per cent of their beer sales to French beer. The result has been the closure of hundreds of pubs in Kent since European borders opened in 1993, and the problem is rapidly spreading to the rest of the country.

### 'Duty free' is an anachronism

From Mr Simon Coombe.

Sir, The whole concept of duty free is an anachronism. The practice has its origins in the days of sailing ships, when travellers were allowed to take sufficient food and drink with them to allow for the fact that the voyage might take longer than expected because of adverse weather conditions. Obviously there was a strong probability of them reaching their destination with an amount of unconsumed "vittels", and these were allowed ashore duty free.

There is, furthermore, the

the root cause of the problem is, of course, the failure of European states to harmonise duties. If the European Commission had discharged its obligations under the Treaty of Rome to harmonise duties, duty-free sales would be less of an issue today. Our own government has also shown a blatant disregard for its Treaty obligations by proposing in the latest budget to raise UK beer duty – already six times as high as France – even higher above the European average.

The Budget proposal is subject to a legal challenge by our Kent member, Shepherd Neame, but this is unlikely to be heard by the European Court before 2000. Until we can harmonise duties, it is essential that we do not continue to subsidise cross-channel shopping at the expense of our pubs, our licensees and our family breweries.

Anthony Fuller, chairman, Independent Family Brewers of Britain and Fuller, Smith & Turner, Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB, UK

safety and weight aspect. It has not been unknown for people to leave an aircraft in an emergency clutching their precious "duty free". Finally, what is the cost element involved in ferrying all this highly flammable material around the world on the off-chance that someone may purchase it?

Simon Coombe, editor/director, Proper Ltd, One Lefebvre Street, St Peter Port, Guernsey GY1 2TW, UK

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be sent to: +44 171-873 3333 (please set fax to: 3333), email: [letters@ft.com](mailto:letters@ft.com). Published letters are also available on the FT web site: <http://www.ft.com>. Translations may be available for letters written in the main international languages.

## Guard our proud Indian legacy

From Mr Selwyn Hodson-Presinger.

Hodson-Presinger.

Sir, In view of India's size and economic potential, the current visit by the UK's Head of State is patently more than historic significance.

However, being the 50th anniversary of India's independence, every measure should have been taken to ensure the state visit was a success.

The fact that it has suffered mishaps is thus particularly sad, especially for those, like myself, who highly value good Anglo-Indian relations.

This summer I had the privilege of being a guest of honour at the annual reunion of serving Indian and retired British officers of Hodson's Horse.

This old Indian regiment was first introduced to me by my great-uncle, Selwyn Hodson, who was the major-nephew of its founder, Major W. S. R. Hodson. To have witnessed Anglo-Indian relations continuing healthily after 50 years of independence was an admirable sight and is encouraging for the future.

Apart from being an excellent reflection on Hodson's Horse and

the army as a whole, it undoubtedly speaks well of Britain's overall legacy in India.

It is the many positive aspects of this legacy that the British government should nurture and protect at all costs. Let us hope that the Labour administration will learn from the mishaps of the Queen's visit and restore Anglo-Indian relations to where they rightfully belong.

Selwyn Hodson-Presinger, 17 Place de Reigaux, 59800 Lille, France

## The European Parliament must be accountable too

From Mr John Thomson.

Sir, Liam Halligan's report ("European elections to change", October 16) should give cause for concern to all who want to see European institutions made accountable.

If the bill shortly to be presented for proportional representation in the Euro-elections only gives voters a choice between parties, important democratic rights will have been taken away from ordinary voters.

The central party apparatus will determine who sits in the European Parliament. Worse still, there will be no effective mechanism, other than that the party provides, for removing an MEP once elected.

Independents will be denied their right to stand for the European Parliament. Those who do get on to party lists will be the

"favoured sons and daughters" of the party hierarchy. They will know that they must toe the party line at all times. They will be more concerned with pleasing the party than with representing the voters in their regions.

Does all this really matter? I believe it does, especially as the European Parliament now has more influence under both the Maastricht and Amsterdam treaties.

If the European Parliament is to call the Commission to account, it must itself be accountable.

John Thomson, Croftin Cottage, Friday Lane, Charlton St Peter, near Fawcay, Wiltshire, SN9 6EY, UK

## Step on road to immortality

From Mr P. G. Barker.

Sir, Your correspondent Philip Johnson (Letters, October 11) correctly denies that there is "war" between science and religion, but he surely cannot deny that there has been conflict between them since at least the time of Galileo.

However, it seems to me that they are starting to converge at last.

We have recently seen real evidence of the feasibility of cloning. All science needs now is the ability to download and transfer neuronal software (brainware) and it will have achieved the first stage on the road to universal immortality.

Peter G. Barker, 31 Hazlewood Road, Duffield, Derbyshire, DE55 4DP, UK

## Equitable policy on emissions

From Mr Tom Spencer MEP.

Sir, Your leader article "Hot debate on warming" (October 14) contained the key word "equitable" but failed to draw the obvious conclusion needed to produce success in Kyoto.

Each of the main players in this negotiation faces a different set of historic emissions, recent actions and well-organised lobbies. Furthermore, the US is bound by resolution of the Senate into an outcome that includes action from non-Annex 1 countries in the developing world. The only answer is a Kyoto Mandate that points the way to a framework for diplomatic negotiations based on contraction and convergence.

This would acknowledge the need for historic equity of per capita emissions since the industrial revolution, and project a formula for sharing future burdens into the coming century. With a global cap on emissions, the developed world would cut back sharply and the developing world would inhibit its emissions reaching a point of equal per capita emissions in about 2040. Emission trading, technological advances and changing scientific information could all be accommodated within a context that can be accepted by China, India and the Group of 77 as just.

The European Parliament recently adopted such a policy based on the analysis provided by the Global Commons Institute. It is not only the right policy, it is also the only policy that holds out significant hope of bridging the current negotiating divides.

Tom Spencer, president, Global Legislators for a Balanced Environment, 97-113 rue Belliard, B-1047 Brussels, Belgium

## Never a ripe time for Emu

From Mr David Soward.

Sir, It has often been suggested over the years that the UK's membership of the Exchange Rate Mechanism was "a mistake". With William Hague's endorsement last week, such a belief has grown from frequent assertion to the status of widely held assumption.

Yet I have always thought that the only things wrong with our ERM membership were that the decision to enter was made unilaterally, at the wrong time and at the wrong level.

Much use was made, in the years leading up to our eventual entry, of the phrase "when the time is ripe". It is surely one of the supreme ironies of the third Thatcher administration that, when in the end we did join, the time was far from ripe, or indeed was so over-ripe as to be positively rotten.

What are the odds on a similar "mistake" as we envisage economic and monetary union?

David Soward, Allied Dunbar, Cornhill House, 117 Bath Road, Cheltenham, Gloucestershire, GL53 7LS, UK

## Chance to sell up a storm

From Mr David Kauders.

Sir, Your coverage of the 1987 crash ("The storm that blew across the world", October 16) omitted to mention the superb selling opportunity that existed beforehand.

David Kauders, Kauders Portfolio Management, 1 Quadrant Court, Middle Street, Taunton, Somerset TA1 1SJ, UK



Men in the News

# The new – and old – face of French business

**S**erge Tchuruk was the least visible protagonist in this week's remarkable wave of French corporate activity. But this mild-mannered man with the short-cropped Armenian name is likely to emerge as one of the most influential participants in the accelerating process of French and pan-European corporate restructuring.

As chairman of Alcatel-Alsthom, the telecommunications and engineering group, his bid to acquire an influential stake in the jewel of the French defence business, Thomson-CSF, was given the go-ahead by the Jospin government. This has thrust the 62-year-old Mr Tchuruk into the thick of events, both in restructuring the French defence industry and in shaping Europe-wide defence alliances.

Mr Tchuruk is convinced that the long-standing French belief in an interventionist state underpinning industrial and corporate development is being eroded. There is no "third way" between the French statist approach to business and the Anglo-Saxon international-market approach. "You have to play one game or another," he says. "And I see no alternative but to play the international game."

The tie-up with Thomson was part of Mr Tchuruk's strategic plan when he took the helm of a troubled Alcatel in June 1995. While concentrating on the telecoms core, he had felt the need to add value to Alcatel's interests in the space and defence sectors. Two abortive attempts at privatising Thomson under the previous centre-right government have forced him to be patient.

"We originally sought a bigger stake;

but this week's solution is the best that could be done at the purely French level," he says.

Along with Dassault's electronics arm, Alcatel will hold about 25 per cent of Thomson, with the state's 58 per cent stake dropping below 45 per cent. In spite of the continued state presence, he believes Alcatel and private business will have a voice in the defence sector, traditionally a minefield of nationalist sensitivities.

"European alliances are a burning issue," he says, recognising the solution of purely French control over Thomson as a transitional phase. "Thomson does not want to proceed with a reorganisation without thinking ahead about European alliances. We should know who our future European partners are likely to be as soon as possible."

Mr Tchuruk is critical of past cross-border alliances in defence and aerospace. Consortia like aircraft manufacturer Airbus are hard to run, and he dislikes joint ventures – not least the energy-engineering venture he inherited with GEC. "We must have the courage to create real companies."

Though coincidental, this week's wave of corporate activity is symptomatic that "things have started to move". The emergence of hostile takeovers shows that market forces are at work.

Mr Tchuruk had a long career in Mnhil, the oil company, before being recruited in the 1980s in the French chemicals giant Rhone-Poulenc. As such he is part of a new breed of internationally minded managers. At Alcatel, Mr Tchuruk was not



Serge Tchuruk

afraid to make the biggest write-down in French corporate history; his turnaround of the group has earned considerable respect. But dealing with Thomson will require astute political footwork, not just good corporate governance.

Robert Graham

**T**he man behind one of the largest and boldest takeovers in French business history – the Fr55b0 (\$9.5bn) hostile bid by Italian insurer Generali for its French rival AGF on Monday – seems an unlikely iconoclast.

After all, Antoine Bernheim, aged 73 and immaculately dressed in a three-piece suit, has achieved the impressive feat of penetrating the heart of both the French and the Italian business networks of influence.

He is a senior partner with the powerful investment bank Lazard Freres in Paris as well as being chairman of Generali. He sits on numerous boards, and has a reputation as a corporate kingmaker. "He is Lazard Paris," says one associate. "He is the embodiment of the firm. Silent, secretive – and a remarkable money maker."

Recruited to the bank in 1967, Mr Bernheim adapted Lazard's approach of working both as external adviser and as director of companies being advised. Thus he became a member of the board of the insurance group La France IARD in the same year he joined Lazard's, and worked throughout the 1980s as chairman of the retailer Euromarche.

Yet this week, the supposedly archetypal insider personally engineered the hostile takeover that broke all records. It shocked a French stock market which is more used to deals being concluded amicably long before they become public.

The action is less surprising than it might appear at first sight. For beneath his veneer as an insider, a figure emerges who is far from typical

of the French elite. "He is not part of the establishment," says a friend. "In fact, he hates the establishment."

A Jew born in Paris whose parents were murdered during the second world war, Mr Bernheim did not attend an elite school or college. He trained as a lawyer before taking up the family property business.

He has often shown a preference for outsiders fond of tough battles, including the businessman Vincent Bolloré, Claude Bébear, the head of the insurer Axa-LAP, and Bernard Arnault, now chairman of the LVMH luxury goods group, when this week removed his objections to the merger of Guiness and Grand Metropolitan, which will create the world's largest drinks company.

He has even built bridges with the financier François Pinault, who evicted him from the board of Printemps, the retailer, and whose hostile bid last month for Worms, the French conglomerate, set in train the current wave of takeovers.

In Italy, Mr Bernheim has been linked to the leading business names – Agnelli, de Benedetti, Cuccia – through various roles: as director of Generali since 1976 and as its chairman for the past two years; as a senior partner with the Milan-based investment bank Mediobanca, and through several directorships including the foodstuffs group Eridania Béghin-Say.

In that respect, Mr Bernheim has long represented pan-European business – not always without tensions: the Agnelli did not inform him of their joint bid with AGF for Worms, which owns Atbena, the insurance



Antoine Bernheim

business that Mr Bernheim had been attempting to buy for Generali.

Now he must balance that Italian relationship against the destabilising influence of his counter-bid for AGF. A skilful bridge player, Mr Bernheim has not yet played his last card.

Andrew Jack

## Return of the junk bond king

Richard Waters looks at the wider dangers raised by the battle to buy MCI

**W**hen the history of the late-20th century bull market is written, the fight for MCI Communications may go down as the high water mark. For this is not just a story about the changes sweeping the telecoms industry. It is about how the massive liquidity in the US equity and debt markets is being used to float corporate takeovers on a scale that would have seemed unimaginable even in the go-go 1980s.

Before it is done, it may also turn out to be a story about the excesses that fevered financial markets can encourage.

On one side of this battle is the flamboyant Bernard Ebbers, a man whose career has been built on cheap equity. It is no coincidence that his company, WorldCom, was formed in 1983 – the year that the latest long-run bull market took off. Mr Ebbers' stock has risen further than most in the intervening years, giving him the most powerful takeover currency of any big telecoms company, bar none. He is now hoping to print \$30bn of this stock to buy one of the jewels of the world's telecoms industry.

On the other side stands the unlikely figure of Charles Lee, chairman of GTE. An unassuming man who until now has laboured in relative obscurity at the helm of one of America's largest companies, Mr Lee bears more resemblance to the staid executives his

industry has traditionally produced than the iconoclastic Mr Ebbers. Yet he has a powerful weapon at his disposal: cheap debt.

The numbers sound astounding. Mr Lee reckons that MCI's owners would rather receive hard cash for their shares than Mr Ebbers' puffed-up equity. He is proposing to raise \$28bn of debt from banks and the bond markets for the purpose. After a takeover, his company would be sitting on a mountain of debt amounting to \$54bn in all. That is roughly twice the sum taken on with the buy-out of RJR Nabisco, the deal that proved to be Wall Street's high-water mark of the 1980s.

When Michael Milken, the junk-bond king, preached the virtues of financial leverage in the early-1980s, he could hardly have expected that a conservative executive such as Mr Lee would be his follower. Is a company that has always pursued the cautious financial policy of a staid utility really planning to subvert its own balance sheet to pull off such an audacious bid?

The sight of GTE entering the fray in this way says a lot about the state of credit markets. The US banking system is in decent shape – a lack of customers. Most large banks, starved of opportunities to lend more profitably, have resorted to buying back their own shares as a way of keeping their earnings rising.

The bond markets are also awash with cash – and seemingly oblivious to the sort of credit risks that stalk Wall Street when times are bad. The best measure of this is the spread between the yields on the highest-quality corporate bonds and those on lower-rated companies. By this measure, the best-regarded borrowers have little advantage at the moment. GTE would probably pay an interest rate of only 0.7 percentage points more than a top-rated AAA borrower.

Against that background, GTE's actions this week seem logical. Why should the company sit on the sidelines of the MCI battle defending its highly rated balance sheet, if capital markets no longer seem to value such financial rectitude?

As one person close to GTE put it yesterday: capital is available in abundance.

Supporting the debt, after all, would be \$18bn in earnings before interest, taxes, depreciation and amortisation (or "EBITDA"). This is the best measure of a company's ability to support debt payments and the financial yardstick that became popular in the 1980s. Compare that with Time Warner: eight years after the merger that created it, the media and entertainment group last year was still supporting \$12.7bn of debt on an EBITDA of \$2.2bn.

If all of this looks relatively stable, though, it is worth remembering the sins of the past. What happens if the financial projections on which such gigantic financial structures are founded prove over-optimistic, and either Mr Lee or Mr Ebbers is unable to make a merger with MCI work?

There is little room for error. Based on the high

**Most large banks have resorted to buying back their own shares as a way of keeping their earnings rising**



Smouldering swamps: futile attempts are made to extinguish fires that continue to spread

## Smoke at the end of the world

Quentin Peel and Sander Thoenes report from Borneo on the cause of recent fires

**I**t feels like the end of the world. The light is a livid yellowish-grey. The sun has vanished behind a haze of smoke. Cars are driving with their headlights ablaze at three o'clock in the afternoon. And the earth is on fire.

Indonesia's fires do not rage through the forests. They sneak through the peat swamps of Kalimantan and Sumatra, invisible at times to both human eye and satellites alike. They dive meters deep into the peat and surface wherever the soil is dry and the wind is strong. They are man-made – started in clear land for small-time farmers and vast commercial palm-oil plantations.

The extraordinary thing is no one seems to care. From Banjarmasin in Palangka Raya in central Kalimantan, a distance of nearly 200km, you are never out of sight of a smouldering fire. There are very few flames, mainly smoke. But farmers are still lighting new fires in clear land for farming. And there is no sign of an effort to stop.

Four months after the fires began to spread out of control in the midst of a severe drought, large parts of Indonesia's archipelago are still wrapped in a choking haze. Officials had declared victory after the first rains came last week, but only a full-scale monsoon will extinguish the fires for good. This week officials admitted that the number of hotspots detected by satellite had risen once again.

They counted 53 large fires on Thursday, compared with just 18 last week. In central Kalimantan, government officials admitted fires had burned out two villages in areas where, only days before, they had denied the existence of any danger.

Estimates of the damage

range from 100,000ha to 700,000ha, including villages, wildlife reserves, timber concessions and palm oil plantations. Jack Riley, a peat bog specialist at the University of Nottingham in the UK, estimates that the fires in Indonesia could release more carbon dioxide into the atmosphere over the next six months than all the power stations and cars in western Europe emit in a year.

Malaysia, the worst affected of the five neighbouring countries plagued by smoke from Indonesia, has sent more than 1,000 fire-fighters to nearby Sumatra. Australia has lent two water bombers and this week three US military transport aeroplanes were set to arrive, each capable of dropping 3,000 gallons of water per flight.

But there is little evidence that Jakarta has rallied serious resources to battle the flames or that the small-time farmers and large palm-oil plantation owners who began them will change their ways. There are even allegations that the government is partly responsible. Beyond the ferry at Pulau Pisau, across the Kahayan River, lies the start of "the Project" – a brainchild of Indonesia's President Suharto. It is a huge exercise in human and agricultural engineering, a plan to clear 1m hectares of Borneo's peat swamps to plant rice and resettle 30,000 farmers from Java and Bali to grow it.

The area, larger than northern Ireland, is almost entirely peat bog, which agronomists say is poorly suited for rice. Vast areas are being cleared along the roadside, by bulldozer and, according to local farmers and environmentalists, also by fire.

"The fires came from the Project," says one shop-

## Jean Eaglesham explains how the City's new share dealing system will work

### Get ready, get Sets, go

**T**he new share dealing system to be introduced into the City on Monday marks the most radical change in the way the London stock market works since the Big Bang reforms of 1986, when trading moved from the floor of the stock exchange to screens and telephones.

Monday's move, dubbed Big Bang 2 by the City, is a switch from a so-called "quote-driven" system of trading, where deals are done through marketmakers who quote buying and selling prices for shares, to an "order-driven" system, where orders to buy or sell shares will be matched automatically by computers.

Will this help investors?

It should. The order book, known formally as the Stock Exchange Electronic Trading Service, or Sets, cuts out the middleman, in the shape of the marketmaker. This should reduce dealing costs. Credit Lyonnais Laing, the broker, estimates that the average spread between the buying and selling prices will drop from 0.6 per cent to about 0.3 per cent. This is equivalent to a £100 saving on a £25,000 deal.

There could be other savings in the medium to long term. The fact that the new system is electronic should make it easier for stockbrokers to automate their operations, linking electronic dealing with electronic settlement, and reducing paperwork. This should cut costs and, hence, the average dealing commission. How do I use the order book?

There are two main types of order that private investors can ask their stockbroker to place – "at best" and "limit" orders. At best deals are completed as soon as they are placed by the broker at the best price available on the order book at that time. With limit orders, you set the price you are prepared to buy or sell a given number of shares at and your order is dealt with as soon as there is a suitable deal to match it. The trading hours of the stock exchange are unchanged – 8.30am to 4.30pm.

Will all share deals go through the order book?

No. The order book will initially be limited to deals in the 100 biggest quoted stocks on the FTSE 100,

although the exchange says it is likely the system will be extended to the next 250 biggest companies soon.

Deals of fewer than 1,000 shares (or 500 if the share price is over £5) are excluded. So are deals for longer than the standard settlement time – five days – which covers the vast majority of deals done using share certificates.

Even where deals meet the order book criteria, they may not go through it. Stockbrokers acting for private clients say they will often choose not to use the order book because of perceived disadvantages in the service it offers. They argue, for example, that it will increase the risk of dealing with a company that cannot afford to pay for shares since the system is anonymous. Does that mean private investors will lose out?

Not necessarily – in fact, they should benefit. Deals outside the order book will still be done in the traditional way using marketmakers, renamed Retail Service Providers. The RSPs have to match the best prices on the order book, so private investors should still benefit from the likely nar-

rowing in the spread between buying and selling prices.

In theory, at least, private investors get the best of both worlds – the freedom to deal outside the order book and the cheaper dealing that Sets should bring.

What could go wrong?

In practice, private investors may find that the new system does not live up to the rosy picture the stock exchange has been keen to paint.

While the marketmakers have to match the best order book prices for deals done for five-day settlement, they could decide to charge more for longer settlement times. Many stockbrokers are predicting the system will lead to dual pricing – investors using share certificates will get worse dealing prices than investors whose shares are held electronically.

A more serious risk with Sets is that the marketmakers may decide that the thinner dealing margins make non-order book trading too expensive to be commercially viable. They could then stop offering their service altogether. The risk of private investors being left stranded is heightened by

Chance to sell up a storm



# COMMODITIES AND AGRICULTURE

## Iraq threat sparks oil price rise

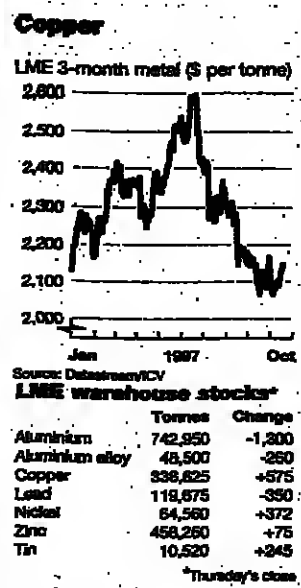
MARKETS REPORT

By Susanne Voyle

Crude oil prices jumped yesterday on worries that a UN over sanctions could hit oil supplies.

Oil markets took fright on Thursday as a belligerent Iraqi response to a threat of new UN sanctions that would bar travel for members of its military and intelligence services, Iraq said it would drop all co-operation with arms inspectors if the new sanctions were imposed.

The upward oil price gained momentum yesterday when Nizar Hamdoun, Iraq's ambassador to the UN, repeated the threat - and opened the possibility that the sanctions would affect the oil-for-food deal. Forecasts of colder weather in the US also helped boost prices, as did Kurdish faction fighting in northern Iraq and people covering their "short" positions - taken effectively as bets that the market would fall - ahead of the weekend.



Rudolf Wolff, a subsidiary of Noranda, said copper's bearish position suggested further selling pressure. "Should this emerge and copper break through \$2.080, then next levels of support are placed at \$2.052 and \$2.020," he added.

Robbin Bahr of brokers Brandeis said copper prices were "locked in a downward trend", but signs of some Chinese buying in morning rings had kept prices above the day's lows of \$2.096. "Their action is not going to turn a bear market into a bull market but it should be just enough to support the downside," he said.

Other metals held to established ranges with the exception of tin, which slid to a one-month low, ending the day at \$5,565, a loss of \$100 on the day and just \$10 off the day's low.

Martin Squires, analyst at

### BASE METALS

#### LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)	Open	High	Low	Settle
Close	1003.04	1027.28	1003.04	1027.28
Previous	1003.04	1027.28	1003.04	1027.28
AM Official	1003.04	1027.28	1003.04	1027.28
Karb close	1003.04	1027.28	1003.04	1027.28
Open int.	230,255			
Total daily turnover	86,661			

#### ALUMINIUM ALLOY (\$ per tonne)

Close	Open	High	Low	Settle
1447.52	1473.75	1447.52	1473.75	1473.75
Previous	1447.52	1473.75	1447.52	1473.75
AM Official	1447.52	1473.75	1447.52	1473.75
Karb close	1447.52	1473.75	1447.52	1473.75
Open int.	5,182			
Total daily turnover	1,427			

#### LEAD (\$ per tonne)

Close	Open	High	Low	Settle
599.0	609.10	599.0	609.10	609.10
Previous	599.0	609.10	599.0	609.10
AM Official	599.0	609.10	599.0	609.10
Karb close	599.0	609.10	599.0	609.10
Open int.	29,802			
Total daily turnover	7,143			

#### NICKEL (\$ per tonne)

Close	Open	High	Low	Settle
6425.05	6540.50	6425.05	6540.50	6540.50
Previous	6425.05	6540.50	6425.05	6540.50
AM Official	6425.05	6540.50	6425.05	6540.50
Karb close	6425.05	6540.50	6425.05	6540.50
Open int.	64,800			
Total daily turnover	14,144			

#### TIN (\$ per tonne)

Close	Open	High	Low	Settle
1298.57	1301.02	1298.57	1301.02	1301.02
Previous	1298.57	1301.02	1298.57	1301.02
AM Official	1298.57	1301.02	1298.57	1301.02
Karb close	1298.57	1301.02	1298.57	1301.02
Open int.	77,770			
Total daily turnover	21,972			

#### COPPER, grade A (\$ per tonne)

Close	Open	High	Low	Settle
2008.67	2108.07	2008.67	2108.07	2108.07
Previous	2008.67	2108.07	2008.67	2108.07
AM Official	2008.67	2108.07	2008.67	2108.07
Karb close	2008.67	2108.07	2008.67	2108.07
Open int.	149,122			
Total daily turnover	97,970			

#### LME ALUMINIUM 3 MONTH FUTURE (\$ per tonne)

Close	Open	High	Low	Settle
1003.04	1027.28	1003.04	1027.28	1027.28

#### LME LEAD 3 MONTH FUTURE (\$ per tonne)

Close	Open	High	Low	Settle
599.0	609.10	599.0	609.10	609.10

#### LME NICKEL 3 MONTH FUTURE (\$ per tonne)

Close	Open	High	Low	Settle
6425.05	6540.50	6425.05	6540.50	6540.50

#### LME TIN 3 MONTH FUTURE (\$ per tonne)

Close	Open	High	Low	Settle
1298.57	1301.02	1298.57	1301.02	1301.02

#### LME COPPER, grade A 3 MONTH FUTURE (\$ per tonne)

Close	Open	High	Low	Settle
2008.67	2108.07	2008.67	2108.07	2108.07

### Precious Metals continued

#### GOLD COMEX (100 Troy oz; \$/troy oz)

Settle	Open	High	Low	Settle
324.10	324.10	324.10	324.10	324.10
Previous	324.10	324.10	324.10	324.10
AM Official	324.10	324.10	324.10	324.10
Karb close	324.10	324.10	324.10	324.10
Open int.	230,255			
Total daily turnover	86,661			

#### PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Settle	Open	High	Low	Settle
419.8	423.0	419.8	423.0	423.0
Previous	419.8	423.0	419.8	423.0
AM Official	419.8	423.0	419.8	423.0
Karb close	419.8	423.0	419.8	423.0
Open int.	5,182			
Total daily turnover	1,427			

#### PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Settle	Open	High	Low	Settle
218.5	218.5	218.5	218.5	218.5
Previous	218.5	218.5	218.5	218.5
AM Official	218.5	218.5	218.5	218.5
Karb close	218.5	218.5	218.5	218.5
Open int.	218.5			
Total daily turnover	218.5			

#### SILVER COMEX (5000 Troy oz; \$/troy oz)

Settle	Open	High	Low	Settle
422.4	422.4	422.4	422.4	422.4
Previous	422.4	422.4	422.4	422.4
AM Official	422.4	422.4	422.4	422.4
Karb close	422.4	422.4	422.4	422.4
Open int.	422.4			
Total daily turnover	422.4			

#### CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Settle	Open	High	Low	Settle
21.38	21.38	21.38	21.38	21.38
Previous	21.38	21.38	21.38	21.38
AM Official	21.38	21.38	21.38	21.38
Karb close	21.38	21.38	21.38	21.38
Open int.	21.38			
Total daily turnover	21.38			

#### HEATING OIL NYMEX (42,000 US gal; \$/gal)

Settle	Open	High	Low	Settle
1.05	1.05	1.05	1.05	1.05
Previous	1.05	1.05	1.05	1.05
AM Official	1.05	1.05	1.05	1.05
Karb close	1.05	1.05	1.05	1.05
Open int.	1.05			
Total daily turnover	1.05			

#### NATURAL GAS NYMEX (100,000 cu ft; \$/cu ft)

Settle	Open	High	Low	Settle
0.40	0.40	0.40	0.40	0.40
Previous	0.40	0.40	0.40	0.40
AM Official	0.40	0.40	0.40	0.40
Karb close	0.40	0.40	0.40	0.40
Open int.	0.40			
Total daily turnover	0.40			

#### WHEAT NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
3.25	3.25	3.25	3.25	3.25
Previous	3.25	3.25	3.25	3.25
AM Official	3.25	3.25	3.25	3.25
Karb close	3.25	3.25	3.25	3.25
Open int.	3.25			
Total daily turnover	3.25			

### GRAINS AND OIL SEEDS

#### WHEAT NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
3.25	3.25	3.25	3.25	3.25
Previous	3.25	3.25	3.25	3.25
AM Official	3.25	3.25	3.25	3.25
Karb close	3.25	3.25	3.25	3.25
Open int.	3.25			
Total daily turnover	3.25			

#### MAIZE NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
2.25	2.25	2.25	2.25	2.25
Previous	2.25	2.25	2.25	2.25
AM Official	2.25	2.25	2.25	2.25
Karb close	2.25	2.25	2.25	2.25
Open int.	2.25			
Total daily turnover	2.25			

#### BARLEY NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
1.25	1.25	1.25	1.25	1.25
Previous	1.25	1.25	1.25	1.25
AM Official	1.25	1.25	1.25	1.25
Karb close	1.25	1.25	1.25	1.25
Open int.	1.25			
Total daily turnover	1.25			

#### SOYABEANS NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
10.25	10.25	10.25	10.25	10.25
Previous	10.25	10.25	10.25	10.25
AM Official	10.25	10.25	10.25	10.25
Karb close	10.25	10.25	10.25	10.25
Open int.	10.25			
Total daily turnover	10.25			

#### POTATOES NYMEX (20 tonnes; \$/tonne)

Settle	Open	High	Low	Settle
1.25	1.25	1.25	1.25	1.25
Previous	1.25	1.25	1.25	1.25
AM Official	1.25	1.25	1.25	1.25
Karb close	1.25	1.25	1.25	1.25
Open int.	1.25			
Total daily turnover	1.25			

#### FRUGALS NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
1.25	1.25	1.25	1.25	1.25
Previous	1.25	1.25	1.25	1.25
AM Official	1.25	1.25	1.25	1.25
Karb close	1.25	1.25	1.25	1.25
Open int.	1.25			
Total daily turnover	1.25			

#### WHEAT NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
3.25	3.25	3.25	3.25	3.25
Previous	3.25	3.25	3.25	3.25
AM Official	3.25	3.25	3.25	3.25
Karb close	3.25	3.25	3.25	3.25
Open int.	3.25			
Total daily turnover	3.25			

#### WHEAT NYMEX (5,000 bushels; \$/bushel)

Settle	Open	High	Low	Settle
3.25	3.25	3.25	3.25	3.25
Previous	3.25	3.25	3.25	3.25
AM Official	3.25	3.25	3.25	3.25
Karb close	3.25	3.25	3.25	3.25
Open int.	3.25			
Total daily turnover	3.25			

### SOFTS

#### COFFEE NYMEX (5,000 lbs; \$/cwt)

Settle	Open	High	Low	Settle
111.5	111.5	111.5	111.5	111.5
Previous	111.5	111.5	111.5	111.5
AM Official	111.5	111.5	111.5	111.5
Karb close	111.5	111.5	111.5	111.5
Open int.	111.5			
Total daily turnover	111.5			

#### COFFEE NYMEX (5,000 lbs; \$/cwt)

Settle	Open	High	Low	Settle
111.5	111.5	111.5	111.5	111.5
Previous	111.5	111.5	111.5	111.5
AM Official	111.5	111.5	111.5	111.5
Karb close	111.5	111.5	111.5	111.5
Open int.	111.5			
Total daily turnover	111.5			

#### COFFEE NYMEX (5,000 lbs; \$/cwt)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)				
Disc	150.30	-6.95	158.50	148.50 8,106 11,941
Mar	140.00	-4.15	146.50	138.00 2,583 6,887
May	136.40	-3.80	142.50	136.25 461 2,437
Jul	132.90	-3.10	137.75	133.25 293 2,358
Sep	129.50	-3.15	134.25	129.50 353 539
Dec	124.90	-3.35	130.00	128.00 226 484
Total				13,024 24,982
■ COFFEE (C) (US cents/pound)				
Set 10				Prev. day
Comp. daily		121.70		125.60
		125.11		126.45



Dollar surges

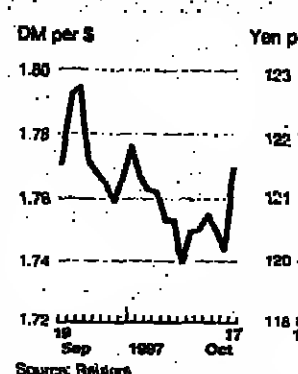
Markets Report  
By Simon Kuper

The dollar and pound surged against the D-Mark yesterday, as strong US economic figures helped them break key technical levels. The dollar rose above resistance around DM1.7500 to the D-Mark, on signs that the US might have to raise interest rates soon. Even before the data appeared the dollar and pound were rising, as traders felt that their declines on Thursday had been overdone. Then US industrial output for September showed a 0.7 per cent month-on-month rise, against a forecast of 0.4 per cent. Capacity utilisation was at 84.4 per cent, the highest in more than two and a half years. The 85 per cent utilisation level is seen as crucial. US homes sales also emerged strong. There had been a view building that the American economy was slowing.

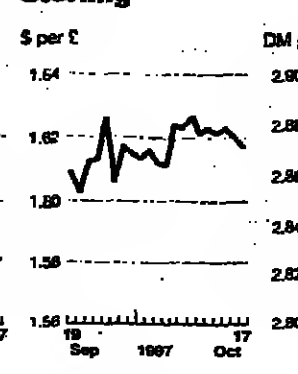
After the London close, Hans Tietmeyer, Bundesbank president, gave the dollar another lift, saying: "The dollar is a strong currency and - despite a current account deficit and growing external debt - the US fundamentals do not point to a change in that situation." Robert Lynch, currency strategist at Paribas Capital Markets in New York, noted that Mr Tietmeyer had refrained from curbing the

dollar's surge by talking up the chance of another German rate increase. "It's almost as much what he did not say as what he did," said Mr Lynch. Klaus-Dieter Kuebbacher, Bundesbank council member, stated explicitly during

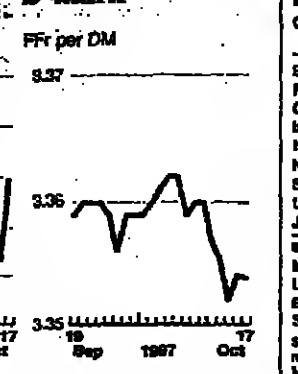
Dollar



Sterling



D-Mark



late New York trading that he did not expect any more German rate rises before Christmas, assuming "no surprises" such as a strong rise in money supply growth. He said last week's rise in the German repo rate had been aimed at ending speculation that there might be further rate rises in this cycle. But his comments had little impact on trading, perhaps because he spoke at such a quiet time of day. Jeremy Stretch, currency strategist at NatWest Mar-

kets in London, noted that the dollar had bucked the fall in US bonds prompted by the strong data. That could suggest that the dollar will rise when prospects grow of a US rate increase, even if an increase would damage the country's stock and bond markets. The D-Mark dropped 2.5 pence against the dollar and 3.4 pence against the pound to close London at DM1.769 and DM2.850 respectively. It fell 0.07 against the yen to DM67.91.

The dollar was static against the yen at ¥120.1, held back by US complaints about Japan's supposedly restrictive port practices. Mr Kuebbacher's view is contested. Two of his fellow council members implied yesterday that German rates might rise soon. Reimut Jochemsen said European Union inflation was low but showing a slight upward trend. Ernst Weiteke said that rates in the countries due to join European monetary union were likely to

converge - in Germany's case towards a higher level, one presumes. Yet traders ignored them. Carl Weinberg, chief economist at High Frequency Economics in New York, said the comments suggested that the dollar could reverse on Monday. The rand softened as South Africa said it would cut interest rates by 1 percentage point to 16 per cent on Monday.

POUND SPOT FORWARD AGAINST THE POUND

Oct 17	Closing mid-point	Change on day	Oct 17	Closing mid-point	Change on day
Europe	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Australia	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Canada	1.5122	-0.0028	1.5122	-0.0028	-0.0028
France	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Germany	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Italy	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Japan	1.5122	-0.0028	1.5122	-0.0028	-0.0028
South Africa	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Switzerland	1.5122	-0.0028	1.5122	-0.0028	-0.0028
UK	1.5122	-0.0028	1.5122	-0.0028	-0.0028

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 17	Closing mid-point	Change on day	Oct 17	Closing mid-point	Change on day
Europe	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Australia	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Canada	1.5122	-0.0028	1.5122	-0.0028	-0.0028
France	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Germany	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Italy	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Japan	1.5122	-0.0028	1.5122	-0.0028	-0.0028
South Africa	1.5122	-0.0028	1.5122	-0.0028	-0.0028
Switzerland	1.5122	-0.0028	1.5122	-0.0028	-0.0028
UK	1.5122	-0.0028	1.5122	-0.0028	-0.0028

CROSS RATES AND DERIVATIVES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26
Netherlands (Gld)	100	16.47	16.26	16.26	16.26
Norway (Nkr)	100	16.47	16.26	16.26	16.26
Portugal (Esc)	100	16.47	16.26	16.26	16.26
Spain (Ptas)	100	16.47	16.26	16.26	16.26
Sweden (Skr)	100	16.47	16.26	16.26	16.26
Switzerland (Sfr)	100	16.47	16.26	16.26	16.26
UK (£)	100	16.47	16.26	16.26	16.26

EXCHANGE CROSS RATES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26
Netherlands (Gld)	100	16.47	16.26	16.26	16.26
Norway (Nkr)	100	16.47	16.26	16.26	16.26
Portugal (Esc)	100	16.47	16.26	16.26	16.26
Spain (Ptas)	100	16.47	16.26	16.26	16.26
Sweden (Skr)	100	16.47	16.26	16.26	16.26
Switzerland (Sfr)	100	16.47	16.26	16.26	16.26
UK (£)	100	16.47	16.26	16.26	16.26

EMS EUROPEAN CURRENCY UNIT RATES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26
Netherlands (Gld)	100	16.47	16.26	16.26	16.26
Norway (Nkr)	100	16.47	16.26	16.26	16.26
Portugal (Esc)	100	16.47	16.26	16.26	16.26
Spain (Ptas)	100	16.47	16.26	16.26	16.26
Sweden (Skr)	100	16.47	16.26	16.26	16.26
Switzerland (Sfr)	100	16.47	16.26	16.26	16.26
UK (£)	100	16.47	16.26	16.26	16.26

D-MARK FUTURES (DM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5752	0.5689	-	0.5690	0.5676	12,163	66,024
Mar	0.5760	0.5712	-0.0068	0.5713	0.5707	7	2,355
Jun	-	0.5800	-	0.5800	-	1	2,817

JAPANESE YEN FUTURES (Yen) Yen 12.5m per Yen 100

	Open	Latent	Change	High	Low	Est. vol	Open int.
Dec	0.8428	0.8383	-0.0036	0.8458	0.8350	33,283	86,211
Mar	0.8500	0.8533	-	0.8502	0.8502	17	875
Jun	-	0.8624	-	-	-	2	165

PHILADELPHIA SE 2/5 OPTIONS (\$1,250 (cents per point))

PHILADELPHIA SE 2/S OPTIONS \$31.250 (cents per pound)						
Strike Price	CALLS			PUTS		
	Nov	Dec	Jan	Nov	Dec	Jan
\$10	1.89	2.44	2.92	1.12	1.04	2.52

UK INTEREST RATES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Interbank Sterling	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
Bank of England	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
Three month	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
Six month	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
One year	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2

THREE MONTH STERLING FUTURES (LFF) £500,000 points of 100%

THREE MONTH STERLING FUTURES (LIFE) \$500,000 points of 100%							
	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.82	92.65	+0.02	92.65	92.62	9544	132778
Mar	92.58	92.82	+0.02	92.82	92.58	9649	119005
Jun	92.81	92.66	+0.01	92.67	92.81	9588	85402
Dec	92.72	92.78	-0.02	92.78	92.72	8724	84758
Mar	92.57	92.90	+0.01	92.91	92.85	9355	94484

BASE LENDING RATES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Admiral & Company	7.00	7.00	7.00	7.00	7.00
Allen & Unwin	7.00	7.00	7.00	7.00	7.00
Bank of England	7.00	7.00	7.00	7.00	7.00
Bank of Ireland	7.00	7.00	7.00	7.00	7.00
Bank of Scotland	7.00	7.00	7.00	7.00	7.00

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Up to 1	1.00	1.00	1.00	1.00	1.00
1 to 3	1.00	1.00	1.00	1.00	1.00
3 to 6	1.00	1.00	1.00	1.00	1.00
6 to 12	1.00	1.00	1.00	1.00	1.00

SHORT STERLING OPTIONS (LFF) £500,000 points of 100%

Dec	0.18	0.22	0.34	0.04	0.10	0.18
Mar	0.04	0.10	0.20	0.14	0.23	0.29
Jun	0	0.03	0.11	0.35	0.41	0.45

Est. vol. total, Calls 4417 Puts 1051. Previous day's open Int.. Calls 201206 Puts 221353

PHILADELPHIA SE 2/5 OPTIONS (\$1,250 (cents per point))

Bank of Mid East	7.00	Julian Hodge Bank	7.00	Investment Banking
Wigan Supply & Co Ltd	7.00	Leopold Joseph & Sons	7.00	Association
Citicorp NA	7.00	Lloyds Bank	7.00	in administration
Clydesdale Bank	7.00	Midland Bank	7.00	
The Co-operative Bank	7.00	NatWestminster	7.00	
Coutts & Co	7.00	Rees Brothers	7.00	

All Futures, Options & Margined Forex

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

OFFSHORE COMPANIES

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

BERKELEY FUTURES LIMITED

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

ED & F MAN DIRECT

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

MURPHY

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

mini REUTERS

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

Market-Eye

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

Low Rates. Quality Service.

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04
France (FF)	100	16.47	16.26	16.26	16.26
Germany (DM)	100	16.47	16.26	16.26	16.26
Italy (Lira)	100	16.47	16.26	16.26	16.26

FUTURES - TAX FREE

Oct 17	Oct 17	Oct 17	Oct 17	Oct 17	Oct 17
Belgium (FRF)	100	16.47	16.26	16.26	16.26
Denmark (DKK)	100	8.04	8.04	8.04	8.04



## UNIT TRUSTS

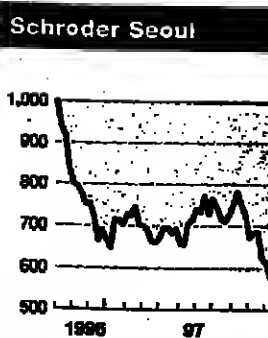
## WINNERS AND LOSERS

## TOP FIVE OVER 1 YEAR

CF Shaw Utilities	1,520
Aberdeen Frontier Markets	1,494
Fleming Select Latin America	1,447
M&G American Recovery	1,434
Abbey Latin American	1,412

## BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	431
Save & Prosper Gold & Exp	515
Henderson Japan Smaller Cos	549
Save & Prosper Japan Smaller Cos	568
Schroder Seoul	576



## TOP FIVE OVER 3 YEARS

Hill Samuel US Smaller Cos	2,623
PM North America Growth	2,585
Prolific Technology	2,555
Framlington Health	2,438
Royal Life United States	2,287

## BOTTOM FIVE OVER 3 YEARS

Old Mutual Thailand Acc	299
Save & Prosper Korea	358
Baring Korea	430
Schroder Seoul	434
Friends Prov Japanese Sm Cos	450

## TOP FIVE OVER 5 YEARS

Prolific Technology	4,250
Gartmore American Emer Gth	4,082
PM North America Growth	3,991
Old Mutual European	3,963
Hill Samuel US Smaller Cos	3,742

## BOTTOM FIVE OVER 5 YEARS

Save & Prosper Korea	534
Henderson Japan Smaller Cos	779
Baring Japan Sunrise	816
Save & Prosper Japan Smaller Cos	819
M&G Japan & General Acc	841

## TOP FIVE OVER 10 YEARS

Hill Samuel US Smaller Cos	7,886
F&G US Small Companies	7,463
Framlington Health	5,991
Gartmore American Emer Gth	5,834
Friends Prov European Gth	5,858

## BOTTOM FIVE OVER 10 YEARS

Waverley Australian Gold	305
Barclays Japan Inc	482
Henderson Japan Smaller Cos	590
Save & Prosper Gold & Exp	595
M&G Japan & General Acc	598

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Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: Reuters (01625 511311)

## Indices

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Average Unit Trust	1086	1377	2038	2289	3.1	2.4
Average Investment Trust	1180	1383	2410	2424	4.4	5.0
Bank	1036	1111	1106	1315	0.0	5.5
Building Society	1033	1111	1204	1819	0.0	5.2
Stockmarket FTSE All-Share	1280	1774	2413	2718	2.2	3.2
Inflation	1036	1088	1143	1548	0.3	-

## UK Growth

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter Fry Slater Growth	1211	2136	2695	-	3.1	0.9
Jupiter UK Growth	1138	1919	3012	-	2.4	1.7
River & Mercantile 1st Growth	1267	1890	-	-	2.5	1.0
Mercury Recovery	1160	1882	2589	1919	3.0	1.5
OM Hartley Growth	1210	1880	2789	-	2.4	0.5
SECTOR AVERAGE	1158	1584	2244	2057	2.5	1.7

## UK Growth &amp; Income

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Fleming Select UK Income	1343	1852	2754	2455	2.3	3.3
Britannia UK General Inc	1234	1771	2222	2028	2.4	2.8
Co-op Pens Equity Dis	1276	1765	2220	-	2.6	3.0
Lazard UK Income & Growth	1219	1785	2320	2487	2.2	2.9
Henderson Ex Income & Growth	1235	1732	2137	2557	2.2	2.9
SECTOR AVERAGE	1192	1575	2182	2286	2.3	2.4

## UK Smaller Companies

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Gartmore UK Smaller Companies	1126	2046	3191	1788	3.3	0.4
Laurence Keen Smaller Cos	1108	1910	-	-	3.0	1.1
INVESTCO UK Smaller Companies	1044	1866	3117	1552	3.8	1.6
AES Smaller Companies	1066	1856	2992	-	2.9	1.2
Britannia Smaller Co's Acc	1118	1776	3195	1840	2.9	0.4
SECTOR AVERAGE	1030	1411	2302	1515	3.0	1.8

## UK Equity Income

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter Income	1219	1990	3385	3690	2.2	9.7
Lazard UK Income	1223	1812	2582	3000	2.2	3.7
Britannia High Yield Inc	1185	1725	2696	2851	2.2	3.7
BWD UK Equity Income	1225	1714	2676	2525	2.0	3.6
Mercury Income	1228	1708	2428	2505	2.4	3.5
SECTOR AVERAGE	1191	1537	2281	2289	2.3	4.1

## UK Equity &amp; Bond Income

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Prolific Extra Income	1166	1820	2273	2146	2.1	3.9
Edinburgh High Distribution	1185	1562	2191	1729	2.3	3.6
CIS UK Income	1219	1547	2135	-	2.4	3.6
Midland Monthly Income	1231	1538	-	-	2.0	3.6
Clear Med Retirement Income Inc	1226	1532	2264	-	2.3	5.2
SECTOR AVERAGE	1148	1417	2087	1941	1.9	5.1

## UK Eq &amp; Bd

Index	1 year (%)	3	5	10	Volatility	Yield (%)
BWD Balanced Portfolio	1197	1772	2822	-	2.7	1.2
Perpetual High Income	1219	1689	2679	-	2.0	3.0
Credit Suisse High Income Port	1168	1828	2451	-	2.2	3.9
Carlife Income Dis	1197	1810	2302	2214	1.9	3.0
NRI UK Extra Income Inc	1104	1537	2292	-	2.0	3.2
SECTOR AVERAGE	1151	1532	2298	2187	2.0	2.8

## UK Fixed Interest

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Aberdeen Fixed Interest	1140	1507	2503	2714	1.5	6.1
Thorncliffe Preference Inc	1141	1477	1771	2503	1.8	7.7
Henderson Preference & Bond	1142	1438	1688	2044	1.4	7.6
M&G Corporate Bond	1166	1438	-	-	1.8	6.3
CU PPT Monthly Income Plus	1177	1428	1683	-	1.9	7.9
SECTOR AVERAGE	1098	1334	1607	2120	1.6	9.4

## UK Gift

Index	1 year (%)	3	5	10	Volatility	Yield (%)
M&G Gift & Fixed Interest	1143	1374	1498	2148	1.9	5.9
Gartmore PS Fixed Interest	1124	1336	1506	-	1.8	6.8
Murray Acumen Reserve	1104	1321	1487	-	1.5	6.4
Mercury Long-Dated Bond	1129	1324	-	-	2.2	5.3
Schroder Gift & Fixed Int Acc	1082	1300	1454	-	1.9	7.3
SECTOR AVERAGE	1074	1241	1373	2082	1.5	5.7

## International Equity Income

Index	1 year (%)	3	5	10	Volatility	Yield (%)
GT International Income Inc	1188	1539	2049	2771	2.5	1.9
Marlin Currie Int'l Income	1188	1523	2201	-	2.4	3.3
Mayflower Global Income	1157	1457	2119	2207	1.9	2.6
M&G International Income	1175	1429	2130	2637	2.4	9.7
Barclays International Income	1168	1415	1906	1854	2.7	1.3
SECTOR AVERAGE	1129	1437	2019	2158	2.4	2.4

## International Fixed Interest

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Baring Global Bond	1024	1335	1854	-	1.4	4.6
Newton International Bond	1031	1290	1438	-	2.1	4.7
City Financial Backman Int'l	885	1265	1298	1884	2.9	5.0
Old Mutual Worldwide Bond Inc	1011	1257	1340	2101	1.7	5.1
Barclays BGI Int'l Fx Int Inc	1030	1240	-	-	1.0	6.0
SECTOR AVERAGE	968	1149	1270	1850	1.8	4.9

## International Equity &amp; Bond

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Bank of Ireland Ex Mgd Growth	1138	1598	2096	-	1.9	2.3
Fleming General Opportunities	1182	1519	1919	-	1.9	3.0
Capel-Cure Halfmark Growth	1203	1505	1906	2176	2.4	1.5
Newton Bridge	1196	1489	-	-	2.5	2.3
Baillie Gifford Managed	1148	1487	1959	2463	2.3	2.4
SECTOR AVERAGE	1108	1363	1798	2181	2.1	2.2

## International

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Prolific Technology	1185	2556	4250	5314	6.4	-
Framlington Health	1128	2438	3109	5891	6.9	-
Save & Prosper Financial Secs	1273	2077	3254	3554	3.0	1.3
Henderson Global Technology	1147	2029	3296	-	6.6	-
Framlington Financial	1285	1853	3197	4448	3.0	0.9
SECTOR AVERAGE	1126	1364	2082	2320	3.3	1.0

## Nth America

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Hill Samuel US Smaller Co's	1173	2823	3742	7886	5.1	-
PM North America Growth	1308	2586	3991	5554	4.4	0.1
Royal Life United States	1310	2287	3672	4535	3.5	0.2
Fidelity American Spec Sits	1283	2281	3075	4834	6.2	-
Kleinwort Benson Amer Small Co	1233	2255	3090	3358	4.8	-
SECTOR AVERAGE	1219	1676	2809	3836	4.1	0.4

## Europe

Index	1 year (%)	3	5	10	Volatility	Yield (%)
Jupiter European	1180	2084	3298	4891	3.0	0.2
Baring Europe Select	1206	2033	3240	2956	3.4	0.9
Threadneedle Euro Sel Gt Acc R	1206	2029	3180	3094	3.8	-
INVESTCO European Growth	1238	1966	3363	3267	3.8	-
Friends Prov European Gth	1281	1943	3027	3859	3.0	-
SECTOR AVERAGE	1209	1919	2438	2882	3.2	0.7

## Japan

Index	1 year (%)	3	5	10	Volatility	Yield (%)
GT Japan Growth	923	949	1563	1311	3.8	-
Marlin Currie Japan	931	932	1628	-	5.5	-
Baillie Gifford Japan	966	891	1360	1292	5.4	-
Newton Japan	948	885	1428	1124	5.2	-
Schroder Tokyo Inc	915	873	1525	1848	5.1	-
SECTOR AVERAGE	779	683	1138	979	5.4	0.2

## Far East inc Japan

Index	1 year (%)	3	5	10	Volatility	Yield (%)
AIB Govett Greater China	1127	1171	2848	2845	5.0	-
Thorncliffe Oriental Income Inc	1003	1017	1506	1912	3.7	3.5
Friends Prov Pacific Basin	889	929	1687	1490	4.3	0.0
United Friendly Far Eastern	946	923	1517	-	4.0	0.7
Marlin Currie Far East	919	915	1575	1722	5.0	-
SECTOR AVERAGE	836	819	1518	1586	4.8	0.6

## Far East exc Japan

Index	1 year (%)	3	5	10	Volatility	Yield (%)
HSBC Hong Kong Growth	1185	1786	3041	4584	6.5	0.1
Friends Prov Australian	1051	1419	2261	3437	4.0	-
INVESTCO Hong Kong & China	1204	1413	2356	2757	6.4	0.2
Old Mutual Hong Kong	1018	1336	2212	3450	6.5	0.6
Old Mutual New Zealand	979	1295	2192	-	3.5	1.9
SECTOR AVERAGE	884	856	1670	2410	5.6	0



**FT MANAGED FUNDS SERVICE**

4378 for more details.

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De UK Greater Cos...	5%	262.8	281.1
Co European .....	5%	117.1	124.7

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Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, Table 1.10, "Foreign Investment in the United States, 1980-1997." Data for 1998 are preliminary.

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**Investment Focus:** A European Stock Market focused on high growth companies with international aspirations. The shares of

Company	Mid price	Change	Volume	High	Low	Company	Mid price	Change	Volume	High	Low
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Int. Index	Colling	Rating	+ or -	Yield	Int. Index	Colling	Rating	+ or -	Yield	Int. Index	Colling	Rating	+ or -	Yield
1	1	1	1	1	2	2	2	2	2	3	3	3	3	3
4	4	4	4	4	5	5	5	5	5	6	6	6	6	6
7	7	7	7	7	8	8	8	8	8	9	9	9	9	9
10	10	10	10	10	11	11	11	11	11	12	12	12	12	12
13	13	13	13	13	14	14	14	14	14	15	15	15	15	15
16	16	16	16	16	17	17	17	17	17	18	18	18	18	18
19	19	19	19	19	20	20	20	20	20	21	21	21	21	21
22	22	22	22	22	23	23	23	23	23	24	24	24	24	24
25	25	25	25	25	26	26	26	26	26	27	27	27	27	27
28	28	28	28	28	29	29	29	29	29	30	30	30	30	30
31	31	31	31	31	32	32	32	32	32	33	33	33	33	33
34	34	34	34	34	35	35	35	35	35	36	36	36	36	36
37	37	37	37	37	38	38	38	38	38	39	39	39	39	39
40	40	40	40	40	41	41	41	41	41	42	42	42	42	42
43	43	43	43	43	44	44	44	44	44	45	45	45	45	45
46	46	46	46	46	47	47	47	47	47	48	48	48	48	48
49	49	49	49	49	50	50	50	50	50	51	51	51	51	51
52	52	52	52	52	53	53	53	53	53	54	54	54	54	54
55	55	55	55	55	56	56	56	56	56	57	57	57	57	57
58	58	58	58	58	59	59	59	59	59	60	60	60	60	60
61	61	61	61	61	62	62	62	62	62	63	63	63	63	63
64	64	64	64	64	65	65	65	65	65	66	66	66	66	66
67	67	67	67	67	68	68	68	68	68	69	69	69	69	69
70	70	70	70	70	71	71	71	71	71	72	72	72	72	72
73	73	73	73	73	74	74	74	74	74	75	75	75	75	75
76	76	76	76	76	77	77	77	77	77	78	78	78	78	78
79	79	79	79	79	80	80	80	80	80	81	81	81	81	81
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88	88	88	88	88	89	89	89	89	89	90	90	90	90	90
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94	94	94	94	94	95	95								

Charge	Prison	Fines	-	Bk's
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Compiled with the assistance of ALIIF §§

authorised in the UK by the Securities and Investments Board

used to reflect a changing currency, changing structure or type of holder.

**buying price:** Also called offer price. The price at which a buyer is willing to buy a security. In a forward contract, the buyer must deal at a forward price on request, and may move to forward pricing at

...and most recent provided by the managers/

Other explanatory notes are contained in

manager's/operator's name is the time of the

Figure 2. A: A schematic diagram of the experimental setup. B: A photograph of the experimental setup. C: A photograph of the experimental setup. D: A photograph of the experimental setup.

continue



### Authorised and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

Company Name	Assets	Liabilities	Equity	Net Income
<b>Albany Life Assurance Co Ltd - Contd.</b>				
Assets	125.0	102.8	-0.4	
Liabilities				
Equity				
<b>Albany &amp; Leinster Life Assurance Co Ltd</b>				
Assets	20.00	20.00	-0.20	0.00
Liabilities	20.00	20.00	-	0.00
Equity	20.00	20.00	-	0.00
<b>Alfred Duncker Assurance Plc</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
Equity				
<b>Alfred Duncker Assurance Plc - Contd.</b>				
Assets	494.8	494.8	-	
Liabilities				
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**FT MANAGED FUNDS SERVICE**

## Money Market Trust Funds

	Green	Red	North CAR	IN
<b>CashCash Ltd</b>				
10000000, West Mailing, Kent ME15 4TA				0732 520000
Colfax, West Mailing, Kent ME15 4TA				0732 520000

Cal Fed Reserves Under 12 Mths..	6.85	=	7.03
Cal Fed Reserves Over 12 Mths..	6.96	=	7.14

## Money Market Bank Accounts

Call 1-800-368-2262

## MANAGEMENT SERVICES







**FT MANAGED FUNDS SERVICE**

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### Offshore Insurances and Other Funds

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Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## NORTH AMERICA

UNITED STATES (Oct 17/US\$)

(% per share)

NYSE

NASDAQ

AMEX

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# Dow slides on tech share weakness

**AMERICAS**

Weakness in technology stocks drove the US stock market sharply lower for the second day running, sending the Dow Jones Industrial Average down below the 7,900 level by midday, writes John Labate in New York.

Investors responded negatively to a growing number of warnings from major computer makers. A cautionary note by disk drive maker Seagate Technology sent its shares tumbling more than 13 per cent to \$32.5.

"When you hear things about major new trends in 1998 profit margins and demand, long-time buyers will get into a selling mood," said Arthur Hogan, senior equity trader at Morgan Stanley.

Shares of Intel, Texas Instruments and Advanced Micro Devices all suffered from the broad weakness for the tech sectors.

By early afternoon, the Dow was down 64.83 or 0.82 per cent at 7,874.05. The broader Standard & Poor's 500 index was off 8.76 at 945.47. The technology-weighted Nasdaq composite index fell steeply, sliding 25.67 or 1.5 per cent to 1,673.99.

Among Dow shares IBM fell \$2.4 to \$97.4. Shares of McDonald's were down \$4 at \$45.6 after the company

# Wall Street and rate fears unsettle bourses

## EUROPE

Bourses rattled lower with the weak trend on Wall Street plus worries about another rise for German interest rates overshadowing a good day for the dollar.

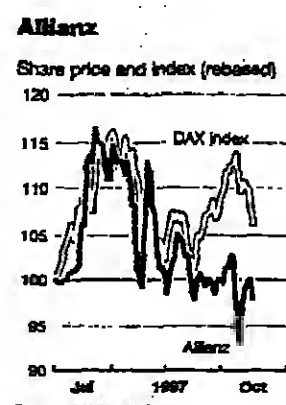
FRANKFURT was a hefty loser in late electronic trading and the DAX index finished 100.76 or 2.4 per cent lower at 4,049.16.

On the corporate front, pharmaceuticals firm Merck rose DM1.20 to DM70.20 following Thursday's news of strong third-quarter sales and a higher dividend. Commerzbank strengthened its recommendation on the stock.

Siemens tumbled DM4.75 to DM117.85 as Lehman Brothers downgraded and set price targets of DM129 for 1998 and DM140 for 1999.

Against the trend, Bayer, the chemicals and pharmaceuticals group, picked up 45 pps at DM65.95, helped by the stronger dollar.

Allianz extended its fall over three sessions to 6.1 per cent, amid persistent rumours that it was set to provide a friendly counter-offer to APG. Allianz shares lost DM12.90 to DM429.10.



SAP dropped DM18.10 to DM501.55 on profit-taking after strength on Thursday as Deutsche Morgan Grenfell raised its recommendation and set a 12-month price target of DM630-DM640.

Expectations of a healthy set of nine-month results next Wednesday has also provided support.

PARIS moved lower in dull volume with the CAC 40 index closing off 34.85 at 2,858.02. Drugs and luxury goods group L'Oréal came off FF114 to FF122.65 ahead of next week's interim while hotels leader Accor lost FF43.00 to FF1,092.

## FTSE Actuaries Share Indices

October 17	Index	Change	%	YTD	%
FTSE 100	5,712.72	-32.32	-0.56	975.00	17.1
FTSE 250	2,255.39	-15.48	-0.68	355.00	15.6
FTSE 350	1,945.79	-18.40	-0.94	295.00	15.0
FTSE 400	1,852.13	-18.45	-1.00	265.00	14.3
FTSE 450	1,722.59	-17.70	-1.02	240.00	13.8
FTSE 500	1,644.51	-17.22	-1.04	215.00	13.1
FTSE 550	1,564.79	-16.40	-1.04	190.00	12.4
FTSE 600	1,484.79	-15.40	-1.03	165.00	11.7
FTSE 650	1,404.79	-14.40	-1.02	140.00	11.0
FTSE 700	1,324.79	-13.40	-1.01	115.00	10.3
FTSE 750	1,244.79	-12.40	-1.00	90.00	9.6
FTSE 800	1,164.79	-11.40	-0.98	65.00	8.9
FTSE 850	1,084.79	-10.40	-0.96	40.00	8.2
FTSE 900	1,004.79	-9.40	-0.93	15.00	7.5

after a downgrade by Merrill Lynch.

Financials had another active session with traders pushing a story that Allianz, the German insurance giant, was teeing up a "white knight" counterbid for AGF, which is on the receiving end of a hostile FFRSbn offer from Generali of Italy.

AGF, which remains suspended from trading, gave a flat "no comment" to news agency enquiries. A spokesman for Allianz, which came off steeply for the second day running, confirmed that the group was "watching the situation very closely".

Société Générale bucked the broad downward with a FFR10 rise to FFR918.

AMSTERDAM dipped below the 900 level at one stage before settling off 7.42 at 904.59. Traders said the session had been mostly driven by the options expiry. Philips added 10 cents against the trend at F160 ahead of next week's six-month figures but its entertainment offshoot PolyGram lost F1.40 to F1.15 for a two-day decline of more than 7 per cent.

ZURICH regained some of its lost ground after the day's options expiry, but the SMI index still finished 55.2 lower at 5,751.6.

The heavily traded Zurich Insurance dropped SF18 to SF19.6, demonstrating divisions in the market about the Swiss group's deal with Britain's BAT. In addition, several rating agencies have put Zurich on their watch-lists.

Swiss Re rose SF9 to SF12.68, amid speculation that BZ Bank could be a buyer. Swiss Life was a sharp outperformer, rising SF33 to SF97.5 on demand from foreign investors after a number of UK analysts set a price target of SF1,000.

CS Group and its merger partner Winterthur soared. CS added SF1.75 to SF12.75 as it said that 97.4 per cent of Winterthur's registered shares had been tendered in response to its exchange offer. Winterthur jumped SF22 to SF11.604.

Pharmaceuticals were weak. Roche certificates fell SF150 to SF12,530 and Novartis lost SF41 to SF12,249.

MADRID closed 1.4 per cent lower, dragged down by

## Profit-taking hits Mexico

MEXICO CITY ran into profit-taking with the weak trend on Wall Street sparking a wave of selling. Shares moved lower from the opening bell, but volume was thin. "It's a typical Friday. There is selling but it's not heavy," said one broker.

Among leading stocks, Telcel shed a modest 5 centavos to 20.30 pesos. At mid-session, the IPC index was off 30.75 at 5,311.01.

SANTIAGO moved lower following a weak opening session for power utility

## ASIA PACIFIC

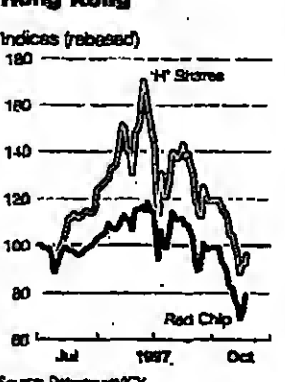
Tokyo turned back for the first time in four trading days on growing uncertainty about the government's economic package, to be announced on Monday, writes Owen Robinson.

The Nikkei 225 average fell 229.07 or 1.3 per cent to 17,478.42, after moving between 17,353.82 and 17,591.11.

New York's overnight tumble weighed on the market from the outset and leading issues succumbed to profit-taking after gaining more than 500 points in the three previous sessions.

Mid-morning reports that Hiroshi Mitsuoka, the finance minister, and the ruling Liberal Democratic party had rejected proposals to reinstate Y2,000bn worth of personal tax rebates sparked the selling. Domestic corporate and foreign investors sold off leading high technology and electri-

## Hong Kong



currency devaluation worries and a sell-off in electronics stocks. The weighted index closed down 165.66 or 2.1 per cent at 7,832.15, having been up by 7,654.88 at one stage. Analysts said government-backed funds had intervened to halt the slide.

Foreign funds were seen dumping stocks after the central bank announced a limited devaluation of the Taiwan dollar on concerns that the currency had further to fall. Electronics were again in the firing line, the sector falling 8.8 per cent.

HONG KONG closed a volatile session slightly higher, boosted chiefly by renewed interest in China-linked stocks, prompted by the listing of China Telecom (Hong Kong) which will begin trading next Thursday.

The Hang Seng index closed 33.75 higher at 12,601.01 after swinging through a near 500-point range during the day.

TAIPEI was hard hit by

as local investors sold on dis-appointment over a delay in the enactment of decrees to reform and revive the ailing finance sector. The composite SET index fell 5.94 to 525.61 in turnover of \$1.9bn.

SEOUL rebounded from Thursday's five-year low on hopes the government will announce market stabilisation measures next week. The composite index closed up 6.24 at 585.49.

Local buyers shrugged off an unexpected reduction in corporate taxes by 2 percentage points to 28 per cent, but the cut was viewed negatively by foreign investors.

Analysts said there were still concerns that the budget would be seen as insufficiently tough by international funds. "The jury is out on whether it was tough enough, but at least some nettles have been grasped," said David Bates at Paribas.

BANGKOK fell 1.1 per cent

# LONDON STOCK EXCHANGE - DEALINGS

Company	Price	Volume	Value
British & World PLC 10% Cum Div 1st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 2nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 3rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 4th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
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British & World PLC 10% Cum Div 32nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 33rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 34th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 35th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 36th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 37th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 38th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 39th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 40th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 41st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 42nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 43rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 44th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 45th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 46th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 47th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 48th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 49th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 50th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 51st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 52nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 53rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 54th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 55th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 56th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 57th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 58th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 59th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 60th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 61st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 62nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 63rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 64th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 65th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 66th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 67th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 68th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 69th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 70th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 71st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 72nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 73rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 74th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 75th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 76th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 77th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 78th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 79th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 80th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 81st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 82nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 83rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 84th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 85th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 86th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 87th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 88th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 89th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 90th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 91st Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 92nd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 93rd Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 94th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 95th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 96th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077
British & World PLC 10% Cum Div 97th Mtg 2001-12-31 (150077) 100077	100.76	100077	100077



## COMPANIES AND FINANCE

## Lafarge set on Redland despite lack of entente cordiale

French cement group's chairman prepared for long haul after investors reject his £1.67bn hostile bid, reports Andrew Taylor

But little seems to disconcert a man who took 27kg of satellite phone and a spare generator on the back of a camel to keep in touch with the office during a riding holiday in Xinjiang Uygur, western China.

Mr Collomb, 55, is chairman and chief executive of Lafarge, the world's second largest cement company. The French group this week launched a 320p-a-share hostile bid for Redland, the UK aggregates and roof tile group.

Redland would give Lafarge its first large presence in UK aggregates, where the British group has an 11 per cent market share. It would also extend Lafarge's US quarry interests into Colorado, Maryland and Texas and make it the largest aggregate supplier in France, with a 20 per cent market share.

The third attraction is Redland's German-based roof tiles business, which would bring a new product to the Lafarge group. Lafarge's share price has

dipped 6 per cent this week to 274p partly because of concerns about the impact on the French company - should its bid succeed - of a depressed German construction market.

Mr Collomb argues that German demand, while not expected to improve, is forecast to be flat next year. He adds that it is better to buy a business at the bottom of the cycle than at the top.

And he insists he is not disconcerted by whispers among some of Redland's institutional shareholders that the price he is offering is too low.

"You would expect them to say that," he shrugs. "The Redland bid is a bold move. But in the context of Mr Collomb's career and personality, and the way they have shaped Lafarge, it is a logical step."

A tall, dark man, Mr Collomb's youthful appearance has led the French press to allude to his "Hollywood" looks. His early management training was in the US where he gained a doctorate in business administration at the University of Austin in Texas after studying at

the elite French Ecole Polytechnique and the Ecole Nationale Supérieure des Mines. He says he loved the US for its "wide open spaces and wide open attitude to encouraging innovation and enterprise in industry."

As an avowed "internationalist", Mr Collomb does not like to hear executives using the term *étranger* (foreigner) and says he would like to see more non-French in senior company positions. Significantly, he remains enthusiastic about American business theory. He recently arranged for all Lafarge's senior managers to attend a seminar in Williamsburg, Virginia, by Stern Stewart, architect of economic value added (EVA) methods.

"In Europe we sometimes place too much stress on restructuring and retrenching. Not enough concentration is paid to innovation, development and expansion," Mr Collomb argues.

"Stocks tend to rise when retrenchment is announced while shares of companies proposing expansion often suffer. This should not be an either/or. Many skills are required by management."

Mr Collomb admits he prefers to discuss developing businesses rather than shrinking them, but he rejects criticism that Lafarge has been slower than rivals in cutting costs.

"We reduced costs in our European plasterboard operations by 20 per cent over five years; the cement business cut costs by 30 per cent over the same period in Spain and by 60 per cent in eastern Germany," he says.

Nor is he afraid to sell businesses when appropriate. He remembers, when head of the US cement division in the mid-1980s, getting a better than expected price for selling an unwanted Californian plant. "It reminds me never to get on the bad side of an auction," he says.

This may influence his reaction should rival bidders emerge for Redland and start to push the price up.

Mr Collomb has an intense loyalty to the group he has built. Unusually for a senior French industrialist, he spent only a couple of years working for the government - advising the ministers for

regional reforms and education in the early 1970s. He hated the politics and yearned to put into practice the management and entrepreneurial skills he had learned in the US.

"The reason I joined Lafarge in 1975 was not out of love of building materials, but because of the group's management culture, particularly its team spirit," he says. "Unlike other companies I did not feel that [management] guns were pointing out into the corridor."

Since he became chairman in 1989 Lafarge has extended its operations from 14 countries to 48, and has diversified into other building products.

A key move was into plasterboard, where Lafarge is now one of three dominant suppliers in Europe. It also has plasterboard interests in the US and South America and is building a joint-venture wall-board plant in Shanghai.

"Different markets and economies there is stronger demand for maintenance and refurbishment, using products such as plasterboard," he says.



Bertrand Collomb remains unflustered by whispers among investors that his bid is too low

being developed. In mature economies there is stronger demand for maintenance and refurbishment, using products such as plasterboard," he says.

Between 1974 and 1984, annual French cement consumption fell from 32m tonnes to less than 20m.

"We need to ensure we are not over-exposed to any one

single market or product," says Mr Collomb - hence his interest in Redland. Lafarge, he says, is prepared to play a long game to achieve its ambitions.

## BAe/Dasa near Siemens victory

By Andrew Edgecliffe-Johnson

A consortium of British Aerospace and Daimler Benz Aerospace appears to have beaten Thomson-CSF, the French electronics group, in the \$330m (\$567m) auction of Siemens's defence electronics business.

The BAe/Dasa consortium was in final talks with Siemens yesterday, industry executives said, and Siemens was expected to confirm the winner next week.

The state-controlled Thomson was the only other final-round bidder after General Electric Company, the UK defence group, failed to make the shortlist. The decision will exacerbate Thomson's fears of being surrounded by an alliance of British, German and Italian defence manufacturers. It may try to seek some later deal with British Aerospace.

Thomson is believed not to have been prepared to pay as much as the BAe/Dasa consortium, which is thought to have offered about \$350m.

The news follows this week's decision by the French government to create a national defence group centred on Thomson, including the telecommunications and space business of Alcatel-Alsthom - a Siemens rival - with the elec-

tronics of Dassault and the satellites of Aerospatiale.

Industry executives said any breakdown in the Siemens talks could still allow Thomson back in, but suggested this was unlikely. Thomson and BAe would not comment yesterday. Siemens said: "We are still in negotiations with both parties and they are both still in contention."

BAe/Dasa was already seen as the favourite because of a perceived preference for a German buyer for the operations, but Siemens said political issues would not have any impact on its decision.

The Siemens defence electronics businesses employ 3,000 in the UK, and a further 2,000 in Germany. They had sales of DM1.6bn (\$663m) last year and pre-tax profits of about DM60m.

Dasa is expected to take control of the German operations, with BAe taking the UK manufacturing arm. The acquisition would be important in Dasa's efforts to consolidate its dominant position in defence manufacturing in Germany.

The UK military radar and radio activities of the Siemens business originally formed part of Plessey, the electronics group taken over by GEC and Siemens in a joint break-up bid eight years ago.

## Millennium in French titanium dioxide deal

By Roger Taylor

Millennium Chemicals of the US is buying Thann et Mulhouse, the titanium dioxide business of Rhône-Poulenc, the French chemicals and pharmaceuticals group.

No price has been agreed as, under French law, Millennium must consult the unions before a deal can be finalised. However, analysts estimate the business would sell for between \$150m and

\$200m (\$123.4m). Millennium said it was aiming to complete the deal before the end of the year.

Thann et Mulhouse had sales last year of FF1bn (\$160m) from titanium dioxide, the white pigment used in paint and paper, as well as a range of other more specialised products such as titanium tetrachloride, zirconium oxide and chlorosulphate.

Rhône-Poulenc said the

disposal was in line with its strategy of selling off cyclical bulk chemical businesses to focus on more specialised products. "We were a relatively small participant in this market and lacked sufficient investment resources," it said.

The company is currently restructuring itself, separating the pharmaceuticals and life sciences divisions from the chemicals and fibres operations which will be

brought together into a new subsidiary called Rhodia.

The company is buying full ownership of Rhône-Poulenc Rhorer, its 68.3 per cent owned pharmaceuticals business, and aims to float Rhodia in 1998.

Millennium, formerly part of the Hanson Group, is the world's second largest producer of titanium dioxide.

It said the deal would add 138,000 metric tons to its cur-

rent output of 473,000 tons, lifting its market share from 11 per cent to 14 per cent.

It said the deal was expected to enhance its earnings next year and said it would be able to fund the acquisition as a result of its planned joint venture in petrochemicals with Lyondell, which will create the largest producer of polyethylene in the US.

Under the deal, Millennium will draw about \$1bn

in cash out of the joint venture.

Titanium dioxide production has been concentrating rapidly as small and medium-sized companies sell to larger groups.

Most recently, ICI sold its European business to DuPont, the largest company in the sector, giving DuPont 35 per cent of the market. Du Pont paid \$700m for the business which had sales of \$336m last year.

## Maid raises £120m via placing for acquisition

By Paul Taylor

Maid, the online business information company, yesterday raised £119.9m in a share placing to help fund its \$420m (\$260m) acquisition of Knight-Ridder Information.

The group's broker, Hoare Govett, placed 54.5m shares at 220p. The shares were suspended at 215p when the deal was announced at the beginning of the month.

Maid, which will become the world's largest online information company as a result of the deal, also plans to raise \$180m through a private placement of senior subordinated notes.

The balance of the consideration - with associated

costs - of \$92.5m will be financed by a new senior banking facility, together with a \$25m revolving credit facility.

Maid said at the time that the deal was announced that it had chosen to raise the new money through a placing rather than a rights issue, because it wanted to broaden its shareholder register.

A number of new institutions will join the share register as a result of the placing.

Yesterday the group, which has grown rapidly under Dan Wagner, chief executive, said in a trading update that revenues in the three months to September 30 were "well ahead" of the

same period last year, but were "broadly in line" with those of the previous quarter.

"While early indications of September trading have suggested a strong recovery, the prolonged period of uncertainty caused by the impending acquisition resulted in deferrals of new client subscription and lower than anticipated usage growth due to deferred take-up of new products," the company said.

Maid said that throughout September, clients increasingly adopted a "wait-and-see" stance to signing new contracts and added that this uncertainty would continue to have an impact in the fourth quarter.

## Potential BZW buyers given financial details

By Jane Martinson, Investment Correspondent

Several potential buyers of parts of BZW, the investment bank owned by Barclays, have received detailed financial information after renegotiating the confidentiality terms of the deal.

A senior BZW executive said he expected to start detailed discussions with six interested parties next week over controversial clauses over contacts with clients and staff had been watered down.

One potential bidder said that it had come to a workable solution on the issue of poaching clients which "didn't restrict ordinary business". The year-long

limit on approaching all staff had also been reduced.

The unusual restrictions had been described as "unworkable" and as "Goldman Sachs flexing their muscles".

The potential bidders are understood to include ING Barings, the Dutch-owned investment bank. Other interested parties are believed to include Bankers Trust, Paribas, CSFB and Donaldson Lufkin Jenrette.

One interested buyer said that the negotiations over the dealing and front-office functions could take as little as three weeks to be officially announced. However, the division of the back office would be much more complicated and could take

much longer. BZW was not keen to rule anybody out of the process. "The number of people who want to party are still different to the number of people we might want to dance with," said one senior executive.

BZW, based in Canary Wharf, London, believes there are greater synergies with a US bank because it has been the market most difficult to crack. But one of those often mentioned as a possible buyer - JP Morgan - is understood to have ruled itself out of the bidding.

Intense speculation pushed up share prices in the sector with the rumours spreading to NatWest Markets as well as BZW.

## FTSE indices change to telecoms

By Our Financial Staff

UK telecommunications companies are to be classified as "services" rather than "utilities" in the FTSE share indices from January, under changes to the classification system announced yesterday.

FTSE International, which manages the indices, said the shift recognised international changes in the telecommunications industry, which is undergoing rapid technological change and deregulation.

FTSE is also extending the range of sectors covered by the classification system to industries which are not now represented in the UK quoted sector but exist internationally, such as automobiles and farming and fishing. The idea is to make the UK classification system suitable for international comparisons between companies.

The creation of a separate classification for information technology stocks was being considered, FTSE added, but it had not yet proved possible to reach a market consensus on the definition of such a company.

## Banco Mello seeks £10bn to fund growth

By Peter Wise in Lisbon

Banco Mello, Portugal's sixth largest bank, is to increase its capital for the second time within 12 months to help fund rapid growth that saw first-half net earnings increase more than eightfold.

The bank's share capital is to be increased from £5.8bn to £6.8bn (£3.45bn) through the issue of 7m shares with a nominal value of £1.00 each.

A rights issue of 5.8m shares will be made for existing shareholders, and a further 1.2m shares, including a tranche reserved for bank employees, offered for general sale.

Banco Mello expects to raise £10bn from the increase, although the exact price of the shares has not yet been fixed.

It said shareholders would be given an incentive to buy the new shares and earnings would not be diluted. Banco Mello shares on the Inter-

bolsa closed yesterday at £1.805, a rise of 8.2p.

The group lifted first-half net consolidated profit from £153m to £14.4bn.

Operating profit grew 86.9 per cent to £3.6bn and cash flow rose 65.2 per cent to £4.4bn.

● Banco Espírito Santo, Portugal's fifth largest bank, increased net consolidated profit 44.7 per cent in the first three quarters of 1997 to £22.9bn, up from £15.8bn in the same period last year.

The parent bank's individual net earnings rose 20.4 per cent to £18.2bn.

It said investment in information systems and an 8.7 per cent increase in pension costs had led to a 16.4 per cent rise in operating costs to £66.7bn.

Besides the impact of strong economic growth in Portugal, the bank said earnings had risen as a result of market share gains, an improved mix of financial products and higher fee-based income.

## PizzaExpress directors' £7m sale

By David Blackwell

Three directors in PizzaExpress yesterday raised almost £7m through the sale of a total of 850,000 shares at 82p.

The biggest sale was by David Page, chief executive, who sold 600,000 shares. He

retains 410,000 shares, equivalent to 0.62 per cent of the total.

Luke Johnson, chairman, sold 100,000 shares at the same price, retaining 283,000. He last sold shares in April, raising £1m through the sales of a 0.23 per cent stake at 670p a share. Hugh

Osmond sold 150,000 shares and retains 105,000.

In September, the group reported a 58 per cent rise in profits to £16.2m in the year to end-June, after sharply increasing the number of outlets with the purchase of most of its franchised restaurants. The shares have since

exceeded the previous 12-month high of 820p, which was reached on bid speculation.

Mr Page has insisted that nobody has approached the company with an offer in the five years since its flotation. The shares closed up 5p yesterday at 852p.

## Kynoch director resigns

Kynoch, the small healthcare company, said yesterday that Larry Sargent had resigned as finance director after seven years with the company to pursue other interests.

The company said he was looking at a range of new positions and added that the terms of any pay-off had not been agreed but would not be material. Mr Sargent received total remuneration of £100,000 last year.

Nicholas Adams, executive director, who joined six months ago from the corporate finance division of ING Barings has been appointed acting finance director until a replacement is found.

## Crystal, Jetsave in MBI

By Scheherazade Dancshkhu, Leisure Industries Correspondent

Crystal Holidays, the UK ski holiday specialist, and Jetsave, the UK-based tour operator, have been bought from their US parent by a management team led by Crystal's founder, Peter Dyer. The £150m (£82.5m) transaction was financed

by BZW Private Equity. The new group, to be called Crystal International Travel, will be one of the UK's 10 largest tour operators, with annual turnover of £200m and an expected 400,000 customers a year.

Mr Dyer, Crystal's chairman, founded the Surbiton-based group in 1981. In 1991 he sold it to Vlad, a Phoenix-based airline catering and

business services group. Vlad has owned Jetsave, which operates the Tropical Places brand, selling holidays in Florida and the Caribbean, and Greyhound bus tickets outside the US, since 1986.

Stephen Welton at BZW Private Equity said the two businesses would be merged and grown organically into a provider of niche holidays.

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend corresponding dividend	Total for year	Total last year
Baroness VCT	Yr to Aug 31	(1.574)	0.626 (0.377)	3.44† (1.22)	1.7	1.81	3	2.56
ClubPartners	6 mths to June 30	0.618 (1.674)	0.249† (1.074)	0.6 (2.51)	-	-	-	-
Investment Trusts	NAV (p)	Attributable Earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aurora	54 mths to Aug 31	104.5 (1)	0.396 (1)	7.38 (7.44)	2.25	2.1	8.4	8.4
Baroness British Inc	9 mths to Sept 30	146.7 (107.8)	1.51 (1.53)	3 (2.24)	2.4	2.3	4.8	4.8
Value and Income	6 mths to Sept 30	154.3 (131.3)	1.36 (1.01)	-	-	-	-	-

† Figures in brackets are for corresponding period. ‡ After exceptional charge. § After exceptional credit. ¶ On increased capital.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †After exceptional charge. ‡After exceptional credit. ††Increased capital. ‡‡After interim. ‡‡‡Income dividend.

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## Risk program houses to merge

**By Nicholas Denton  
in San Francisco**

Dow Jones Markets is the main carrier for such news outside the US and it would have to find a new method of distribution outside the US, or potentially lose some market share.

In the US, newswire services are distributed through a number of mechanisms. For example, Dow Jones News Service, the equities news service, has 200,000 of its own screens in the US.

banks such as Barings reinforced the need for software giving management, which had relied on spreadsheets assembled by treasurers, a global real-time overview of their positions.

## Dollar adds to McDonald's woes

**Upsets for Michael Quinlan, McDonald's chairman, include firing an advertising agency and arguments with franchisees**

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The FTSE Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL AND COUNTRY MARKETS	THURSDAY OCTOBER 16 1997										WEDNESDAY OCTOBER 15 1997										DOLLAR INDEX			
	US Dollars	Days Change	Found Index	Yen Index	DM Index	Local Index	Local Change	Grain Index	Grain Change	US Dollars	Found Index	Yen Index	DM Index	Local Index	Local Change	52 week High	52 week Low	Year Low	Year High					
Australia (78)	228.73	0.7	200.27	173.48	197.32	206.35	0.1	3.70	227.17	204.28	174.34	206.77	189.19	243.87	209.69	214.20	214.20	214.20	214.20					
Australia (24)	212.12	-0.3	194.07	160.88	192.38	192.31	-0.7	1.71	221.72	197.42	163.20	193.64	205.59	235.99	175.14	217.80	217.80	217.80	217.80					
Belgium (27)	258.13	0.5	230.88	210.30	228.64	223.87	0.2	3.08	250.78	228.08	212.46	228.31	223.57	261.51	216.24	216.24	216.24	216.24	216.24					
Brazil (20)	296.10	-1.7	273.66	236.62	274.20	265.28	-1.6	1.21	304.17	277.79	233.43	279.51	283.43	322.44	179.94	187.17	187.17	187.17	187.17					
Canada (123)	246.36	-0.6	307.10	277.18	208.27	227.53	-0.8	1.80	227.77	208.02	174.90	207.26	228.78	268.96	175.63	175.63	175.63	175.63	175.63					
Canada (2)	248.78	0.7	207.00	182.00	206.00	206.00	0.0	1.83	248.78	207.00	182.00	206.00	206.00	206.00	206.00	206.00	206.00	206.00	206.00					
France (28)	248.78	0.7	317.25	265.66	244.68	261.04	0.4	1.83	344.39	254.15	264.29	313.53	337.48	346.43	216.01	216.01	216.01	216.01	216.01					
France (83)	242.08	0.4	221.46	185.58	219.61	222.16	0.1	2.37	241.00	221.50	184.16	219.40	221.93	263.23	199.26	199.26	199.26	199.26	199.26					
Germany (88)	232.94	-1.5	213.12	176.65	211.24	211.24	-1.9	1.38	236.43	213.53	184.44	215.45	213.94	246.87	179.12	179.12	179.12	179.12	179.12					
Germany (10)	232.94	-1.5	213.12	176.65	211.24	211.24	-1.9	1.38	236.43	213.53	184.44	215.45	213.94	246.87	179.12	179.12	179.12	179.12	179.12					
Italy (27)	120.43	-3.0	110.18	81.32	109.21	274.08	-0.2	2.47	125.25	114.38	86.11	114.02	274.08	254.90	117.56	117.56	117.56	117.56	117.56					
Japan (17)	380.92	-0.7	357.66	326.66	354.50	374.34	-0.8	2.59	393.84	356.50	320.09	338.93	376.45	394.08	304.37	304.37	304.37	304.37	304.37					
Japan (3)	115.24	0.2	105.43	87.47	104.51	146.81	0.2	1.82	115.05	105.67	88.29	104.74	141.12	153.57	75.44	75.44	75.44	75.44	75.44					
Japan (107)	295.92	-1.2	270.74	224.41	208.35	362.42	-0.2	1.97	299.61	273.63	229.93	227.79	363.16	60.65	277.73	277.73	277.73	277.73	277.73					
Mexico (27)	109.14	0.1	173.92	143.82	171.69	1601.73	0.0	1.52	169.14	173.92	143.82	171.69	1601.73	1601.73	1	1	1	1	1					
Mexico (27)	109.14	0.1	173.92	143.82	171.69	1601.73	0.0	1.52	169.14	173.92	143.82	171.69	1601.73	1601.73	1	1	1	1	1					
New Zealand (14)	374.94	0.1	342.75	294.10	339.78	353.51	0.3	1.73	368.12	334.36	290.86	333.30	351.21	374.64	287.96	284.04	284.04	284.04	284.04					
Philippines (22)	96.57	-0.7	86.17	73.08	67.98	102.33	-0.7	1.31	87.07	86.65	74.49	80.37	163.51	214.07	87.55	165.90	165.90	165.90	165.90					
Singapore (42)	279.59	-1.8	255.00	212.00	233.94	199.74	-1.9	1.58	285.01	250.28	218.72	245.69	203.51	248.01	272.90	272.90	272.90	272.90	272.90					
South Africa (43)	341.55	0.7	312.48	230.01	303.78	348.26	1.0	2.43	338.23	309.00	260.33	306.86	344.04	370.12	306.77	306.77	306.77	306.77	306.77					
Spain (53)	322.11	0.1	298.22	248.22	281.22	309.22	0.1	2.43	317.22	277.22	247.22	277.22	306.22	336.22	183.22	183.22	183.22	183.22	183.22					
United Kingdom (27)	322.11	0.1	298.22	248.22	281.22	309.22	0.1	2.43	317.22	277.22	247.22	277.22	306.22	336.22	183.22	183.22	183.22	183.22	183.22					
United States (3)	521.00	0.7	477.68	395.94	473.47	554.52	-0.2	1.17	521.88	478.40	394.07	475.15	568.55	538.94	390.24	391.37	391.37	391.37	391.37					
United States (3)	521.00	0.7	477.68	395.94	473.47	554.52	-0.2	1.17	521.88	478.40	394.07	475.15	568.55	538.94	390.24	391.37	391.37	391.37	391.37					
United States (3)	521.00	0.7	477.68	395.94	473.47	554.52	-0.2	1.17	521.88	478.40	394.07	475.15	568.55	538.94	390.24	391.37	391.37	391.37	391.37					
United States (3)	521.00	0.7	477.68	395.94	473.47	554.52	-0.2	1.17	521.88	478.40	394.07	475.15	568.55	538.94	390.24	391.37	391.37	391.37	391.37					
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	Oct 18	% chg day	Oct 15	Year ago	Gross div yield %	P/E ratio	52 week High Low
Gold Mines Index (35)	1474.73	-1.1	1491.72	1987.35	2.02	-	1996.11 1278.14

Regional Indices						
Europe (16)	1493.43	+1.6	1498.36	1465.96	5.09	25.66 2502.51 1224.90
Americas (16)	1559.71	-1.6	1584.93	2147.37	2.62	18.07 2218.00 1336.10
North America (12)	1474.33	-2.0	1503.73	1690.08	0.91	54.77 1639.77 1244.23

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**The Financial Times plans to publish a Survey on**

## Spanish Banking & Finance

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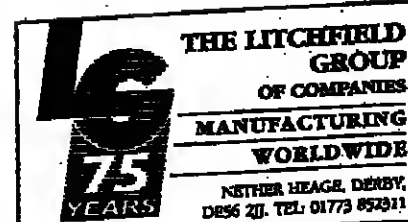




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# COMPANIES FT MARKETS

Weekend October 18/October 19 1997



WorldCom and GTE may increase value of offers

## Bidders for MCI to start three-way talks

By William Lewis and Richard Waters in New York and Alan Cane in London

Two sets of tripartite talks involving the companies bidding for MCI Communications are due to begin as early as next week amid speculation that two of them - WorldCom and GTE - are considering raising the value of their competing offers.

Advisers and lawyers expect discussions involving MCI, British Telecommunications, WorldCom and GTE to begin within seven days. This follows an agreement between MCI and BT, issued on Thursday, relaxing the rules that prevent talks with other companies from taking place.

Two weeks ago, WorldCom made a \$30bn all-cash offer for MCI. This week, GTE put forward a \$28bn all-cash offer. BT's bid, which has been agreed with MCI, is valued at

\$24bn and is a mixture of cash and paper.

The talks are set to begin after advisers to all four companies have assessed the values of the different bids. It is likely that there will be tripartite discussions with both MCI and BT talking separately to WorldCom and GTE.

BT is expected to have an important role in the talks between MCI and the two other suitors. BT owns 20 per cent of MCI and it is most likely to favour a link-up with GTE and MCI rather than with WorldCom as long as the terms of the bids remain similar. MCI is also thought to favour a tie-up with GTE.

BT executives view their culture as more compatible with GTE than with WorldCom and they see stronger potential synergies with GTE.

Under the terms of BT and MCI's agreement enabling talks to begin with WorldCom

and GTE, MCI will still have to pay a penalty of \$450m and up to \$15m of expenses if it is taken over by another company without BT's approval. BT retains the power to delay any deal involving MCI until next October and has kept its own bid on the table, even though it is substantially smaller than the other two.

This week, Charles Lee, GTE's chairman, hinted to Wall Street analysts that he would be prepared to raise his company's bid for MCI. Analysts also believe that WorldCom has the potential to raise its offer.

At lunchtime in New York yesterday, WorldCom's share price had fallen by 1.8 per cent to \$34.74, MCI's down 0.49 per cent to \$37.48, and GTE up 1.54 per cent, after Thursday's fall, at \$45.71.

Editorial Comment, Page 6  
Men in the News, Page 7

## Yasuda and Goldman agree link on property

By Gillian Tett in Tokyo

Goldman Sachs, the leading US investment bank, has established a co-operation agreement with Yasuda Trust, a Japanese trust bank, to develop real estate business.

The move comes as international investors are starting to express interest in the Japanese property market, after its collapse in the late 1980s property bubble.

Next week the Japanese government is to unveil an economic stimulus package which is likely to include specific measures to boost the property market.

The Goldman-Yasuda deal also highlights a growing trend among international financial companies to link up with Japanese groups ahead of the country's planned Big Bang financial industry deregulation next year.

Goldman and Yasuda stressed that their agreement was not an exclusive one, and would not involve financial tie-ups. The main aim of the collaboration was to bring foreign investors into the property market, they said.

Goldman Sachs Realty Japan, the US group's property arm, would seek to attract US and European investors, thereby providing Yasuda with access to new overseas clients.

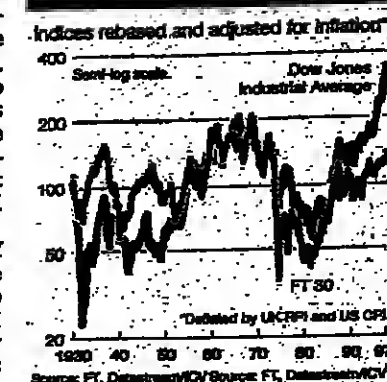
Yasuda would provide Goldman's clients with information on Japanese properties, focusing on commercial properties in the Tokyo area.

Yasuda posted the greatest volume of real estate brokerage transactions among Japanese trust banks in 1996, with revenues of ¥369.1bn (\$3.1bn) from 3,986 transactions.

The group, which has been one of the weaker trust banks, yesterday sharply cut its profit projections for the April-September first half of the fiscal year. It expects to record a recurring loss of ¥78bn, compared with previous estimates of a ¥4bn profit. The revision was due to larger-than-expected bad loan disposals. The group said it expected to post recurring revenue of ¥390bn in the first half - higher than expected.

## THE LEX COLUMN KP nuts

FTSE Eurotop 300 index  
970.7 (-9.0)  
UK and US equities



Indices rebased and adjusted for inflation

One way of judging whether shares are fairly valued is to compare ratios - like price/earnings multiples, dividend yields, and the ratio of bond and earnings yields - with historical averages. On each measure, the US looks overvalued: it would have to fall 10-50 per cent to get in line with the 15-year average. The picture in Europe is more mixed. The snag is this sort of analysis fails to address the argument that history is bunk. Maybe inflation is dead or information technology has worked miracles with underlying economic growth.

One way of addressing that point is to discount future dividends. The US market again looks overvalued. At the current yield of 1.8 per cent, a dividend would have to grow 5.6 per cent a year in real terms indefinitely to deliver total returns of 7.8 per cent. Even if the New Age economy now grows at a rapid 3 per cent and the US penchant for share buy-backs is worth another 1 per cent, this is pushing things. Apply the same analysis to the UK and shares look stretched but not wildly so. With yields of 3.6 per cent gross - albeit 2.9 per cent net - dividends would need to grow by at least 4 per cent a year in real terms.

Discounting dividends is, of course, a bit like the tail wagging the dog. Dividends are, to some extent, a discretionary payment - what is left over after companies have decided on investment, debt repayments and so forth.

An alternative method is to discount free cash flows: cash available for dividends, interest payments and debt repayments. Look at Europe. Assume the real cost of capital is 6% per cent (consistent

with a 7% per cent cost of equity) and that cash flows will grow in line with the economy, perhaps 2% per cent a year. European stocks - which trade on 23 times next year's free cash flow according to Deutsche Morgan Grenfell - are then almost bang in line with fair value.

The message is not so great for the US. Even if its growth is faster than Europe's, say 3 per cent, fair value would be only 29 times cash flow. In fact, the multiple is more like 40, though DMG unfortunately does not crunch numbers on the same basis.

Does that mean the US will crash? Not necessarily. It might just stumble sideways for a few years. But that is hardly enticing and there is always the possibility of something more severe.

### Directors

No one is going to argue against the attractions of better trained directors. The UK's Institute of Directors rightly points to the difference between being an operational manager and a director, notably on issues of corporate strategy and governance. Its programme adds to the range aimed at extending director training to companies that cannot afford the MBA route. So far, so uncontroversial.

But whether its proposed qualification should count as a professional standard is a much more murky question. Seventeen days' training should impart the basics, but it bears no comparison with a solicitor's or accountant's professional training. It is also debatable to what extent a management can be professionalised when qualities such as vision, or courage in opposing the chief executive, cannot be taught. With these limitations, the IoD scheme looks unlikely to deliver a more meritocratic and open "profession": to women, for example. Insisting that candidates be proposed by IoD Fellows may not bode well on that score.

That said, given its virtues as a plain training course, it is important that the exam/cub elements of this plan do not deter entrepreneurs seeking to broaden their skills, or non-executives from different backgrounds. Perhaps Kenneth Clarke, the ex-chancellor now accumulating directorships, should apply.

Finally, will it deter crooks? Not many. While checking resumes will weed out some, many a common trades on respectable-looking qualifications.

## France Telecom sell-off hailed as 'formidable'

By Andrew Jack in Paris

France's Socialist government yesterday trumpeted the unprecedented popular success of the partial sell-off of France Telecom, in spite of its ambivalence towards privatisations during the election campaign.

Dominique Strauss-Kahn, finance, economics and industry minister, described as "a formidable success" the offering that closed on Friday evening, breaking French records by attracting 3.9m individual investors. Trading begins on Monday.

Demand by individuals was almost three times in excess of the number of shares allocated at FF132 each, while demand from institutions at FF187 was nearly 20 times greater than supply.

Two-thirds of institutional demand came from non-French investors, including 20 per cent from the US. The offering,

involving the sale of more than 22 per cent of the capital of France Telecom, will generate FF142bn (\$7.14bn) for the state. Mr Strauss-Kahn said the results showed "how much investors have confidence in the French economy and in France Telecom".

The previous French record for the number of individual shareholders was the privatisation in January 1997 of Paris, the financial institution.

The France Telecom sell-off was delayed after the election in June of a leftwing coalition that stressed the importance of "public services" remaining in state hands.

The government said yesterday that, after an exchange in cross-shareholdings and a capital increase during 1998, the state would still retain 62.63 per cent of the total capital.

However, the sell-off was criticised after it emerged that at least one of the banks asso-

ciated with the privatisation had agreed to extend risk-free, interest-free loans to managers in the company to buy shares on condition that they resold them and split the profits in two years.

Natexis, the bank formed by the merger of Credit National and BFCF, offered loans of FF623,200 to senior France Telecom employees, who had the right to buy shares at the discounted price of FF145.60. The bank would in exchange take all the dividends and 40 per cent of the capital gain when the shares were sold.

The government indicated it would take action to prevent banks involved in the France Telecom underwriting syndicate from taking part in such plans.

But Natexis said other banks had done the same thing and that the state had no right to interfere in losses it made to customers.

### Companies in this issue

AGF	7	Goldman Sachs	24
Alcatel-Alsthom	7	Infinity Financial	23
BT	24	Jardine Matheson	23
Carrefour	23	KPMG	1
Continents	23	KwikSave	23
Dairy Farm	23	MCI	7, 24
Dow Jones	23	McDonald's	23
East and Young	1	Promode	23
France Telecom	24	Pryca	23
GTE	7, 24	Sinago	23
General	7	SunGard Data	23
		WorldCom	7, 24
		Yasuda Trust	24

### Markets latest

FTSE 100	970.7	(-9.0)
FTSE Eurotop 300	970.7	(-9.0)
FTSE 100 Share	2,498.18	(-22.07)
New York basket	7,888.98	(-8.88)
Dow Jones Ind Ave	945.77	(-4.48)
S&P Composite		
3-mo Interbank	7.4%	(7.2%)
Life long gilt (2.5%)		(2.5%)
US 10-year Treasury	5.5%	
3-m Treasury Bill	5.07%	
Long Bond	98.5	
Yield	6.47%	
North Sea Oil (Brent)	\$28.10	(10.52)
Gold	\$354.3	(26.73)
New York Comex Gold	\$354.3	(26.73)
London	\$354.3	(26.73)

### FT WEATHER GUIDE

#### Europe today

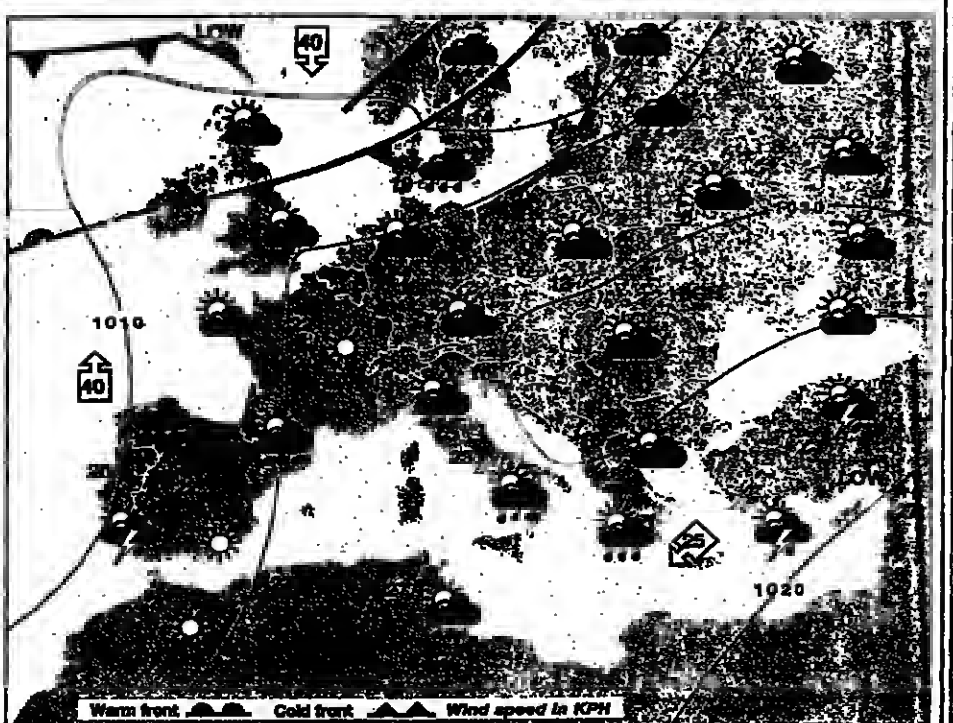
Scandinavia will have heavy rain, falling as snow in the north and over the mountains. Western Norway will have showers later. The Low Countries, Germany, Austria and Switzerland will be dry and sunny after early fog clears. France will be sunny and unseasonably warm after fog and low cloud clear during the morning. Portugal and western Spain will be wet as thunderstorms and heavy rain move in from the west, but most of eastern Spain will be dry and fine. The remainder of the Mediterranean will have sunshine and showers. Eastern Europe will be dry with sunny spells.

#### Five-day forecast

It will turn colder over Scandinavia and eastern Europe as northerly winds bring snow showers. Central Europe will remain warm for the weekend, but rain in the far west of Europe will gradually spread east. All parts will turn cooler and more unsettled from the beginning of next week.

#### TODAY'S TEMPERATURES

Abu Dhabi	28	Beijing	18	Cairo	22	Cardiff	15
Akron	28	Belfast	15	Chengdu	18	Chongqing	18
Algiers	27	Berlin	15	Cologne	18	Dakar	27
Amsterdam	18	Bombay	28	Dallas	22	Dubai	28
Athens	18	Buenos Aires	22	Hankow	22	Hong Kong	22
Bahia	28	Buenos Aires	22	Hong Kong	22	Hong Kong	22
Bangkok	28	Buenos Aires	22	Hong Kong	22	Hong Kong	22
Barcelona	22	Buenos Aires	22	Hong Kong	22	Hong Kong	22

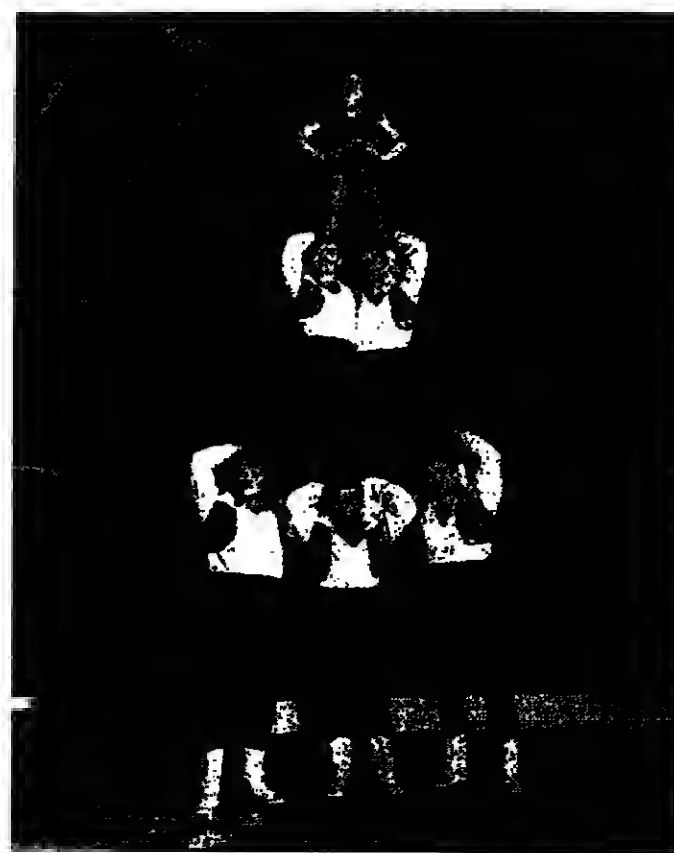


Situation at midday. Temperatures maximum for day. Forecasts by FA Weather Centre

Frankfurt	Fair 17	Madrid	Shower 22	Rangoon	Thunder 33
Geneva	Fair 18	Manila	Fair 25	Rangoon	Thunder 33
Glasgow	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33
Hamburg	Cloudy 17	Manila	Fair 25	Rangoon	Thunder 33
Helsinki	Fair 18	Manila	Fair 25	Rangoon	Thunder 33
Hong Kong	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33
Hong Kong	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33
Hong Kong	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33
Hong Kong	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33
Hong Kong	Thunder 22	Manila	Fair 25	Rangoon	Thunder 33

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مكتبة النور





Death by baboon

'Suddenly, there is a loud crack and something plummets to the ground not far from me. A large baboon lies dying.'



All the presidents

'Reagan lived by and communicated with jokes, chiefly one-liners, of which he had an enormous repertoire.'



Ports in a storm

'The Taylor displayed little inside its impressive framework, while our sample of Graham was dangerously vinegary.'

Pages XVIII-XX

Page IV

Page XVII

# In no mood to party

Israel is about to turn 50. But few are ready to celebrate. Judy Dempsey reveals the chasms within Israeli society - and hears talk of civil war

As plans get under way to celebrate the 50th anniversary of Israel's founding, with talk of a great gathering of the diaspora, gala concerts and once-only exhibitions, the government committee set up to oversee the celebrations next year, has collapsed, riven by bitter personal disagreements, allegations of mismanagement and corruption, and political and ethnic conflict.

The committee's chairman has just resigned, overwhelmed by the difficulties of reconciling budgets and personal relationships, while a government minister has pulled out, citing "professional reasons" - he was critical that the events focused too much on a western image of Israel and downplayed the contribution of the Sephardim, Jews from north Africa and Iraq.

As the committee tried to regroup in the face of spiralling criticism, a separate meeting was held in the committee rooms of the Knesset, the Israeli parliament. The atmosphere was calm, the temperature warm, and the sense of common purpose contrasted starkly with that of the professional party organisers.

This committee had formed to award the Avi Chai prize, which recognises initiatives that generate mutual understanding among Israelis of different backgrounds, as well as contributions to religious observance. One of the recipients was Moti Bar-Or, 36, a professional bridge builder. He has spent the best part of his adult life trying to reconcile pluralism with Judaism.

Bar-Or is one side of the Israeli story, and of our story. The other side could be represented by a myriad of passionate individuals for whom Israel must mean something more than multiculturalism. Rabbi Shlomo Benizri, also 36, is one of the leaders of Shas, the powerful ultra-Orthodox party in Benjamin Netanyahu's right-wing Likud coalition government. Benizri believes in coexistence among Jews, provided Jews subscribe to the Halacha, the Jewish law based on the Talmud, the body of Jewish civil and ceremonial law. And while both men fundamentally disagree on Israel's future direction, they are agreed that these deep divisions could lead to civil war.

Cleavages, cut across almost every aspect of society. "We thought we could maintain some sense of internal unity until we got peace with the Palestinians," says Avraham Diskin, political scientist at the Hebrew University. "But the internal divisions are quickly emerging, threatening to pull society apart even before we have peace. It is terrifying."

It is not only over the fate of the peace process or how Netanyahu, the prime minister, has plunged the country into innumerable crises since coming to power 17 months ago. Right and left are still trying to come to terms with the assassination of Yitzhak Rabin, the former Labour party prime minister and one of the architects of the peace process.

Rabin's assassination by an ultra-Orthodox Jew in November 1995 shocked Israelis. "It exposed the deep divisions in our society," says Moshe Lissak, a sociologist at the Hebrew University. "It showed the potential for civil war as the gap between the secular and the ultra-Orthodox becomes wider and deeper."

The ultra-Orthodox, or Haredim, are engaged in a struggle against the secular community over who should set the agenda for Israel's future.

The struggle is well under way. The Haredim recently won the right to introduce segregated buses for men

and women and close streets on the Sabbath in some districts where ultra-Orthodox Jews are the majority.

Meanwhile, the secular-controlled council in Katzin, in the Golan Heights, closed a kindergarten run by Shas. Residents claimed Shas would threaten the secular character of the settlement.

Resentment is also building between the Ashkenazim, Jews from eastern Europe, who are mostly Zionist and secular, and the Sephardim. Although intermarriage between both communities has increased from 5 per cent in the 1960s to over 30 per cent today, such integration has done little to heal the sense of discrimination Sephardim harbour.

The second generation of Sephardim is much more integrated and feels Israeli, says Diskin. "But this is the paradox. It is as if they are seeking redress for the wrongs their parents endured under the Ashkenazim, who they believe treated them like second class citizens."

On top of this, ultra-Orthodox and Reform (progressive) Jews are involved in one of the most acrimonious debates on Judaism since the foundation of the state.

The ultra-Orthodox determined to have the definition of a Jew legally enshrined, do not want to accept any Jewish conversions unless carried out by their rabbis. If the Netanyahu government sanctions this, it would mean births, marriages and deaths in a Jewish family not converted by an ultra-Orthodox rabbi would be rejected as "Jewish". In Israel, the Jewish rites of burial and other ceremonies would be denied them, while the gap between Israel and the Reform Jews in the diaspora, especially in the US, would widen, weakening the crucial emotional ties between both.

Tensions between these two strands of Judaism are increasing all the time. Last week, the Harel congregation Reform synagogue in Jerusalem was covered with swastikas and obscene graffiti. It is no coincidence that the synagogue, one of the oldest Reform synagogues in Israel, is led by Rabbi David Ariel Yoel. In his commitment to a pluralist Israel, he conducted a gay wedding six months ago in opposition to the Haredim.

The previous month, a Jerusalem Reform nursery school was burnt. And during Passover last April, the Haredim attacked Reform Jews as they prayed near the Wailing Wall in Jerusalem, the Jews' most holy site.

part of his adult life building bridges, as well as making it his personal quest to understand the scope of Judaism through the Torah, the Bible. He helped found Elul, an independent centre where men and women, secular and religious, could meet and debate. And recently he established Kolot, a centre aimed at attracting leading members from Israel's business and professional community to become engaged in the relationship between pluralism and Judaism.

"Through this communal learning we want to develop a dialogue between different people of different approaches to religion and tradition, towards living together with respect and tolerance," says Bar-Or. "That was why Rabin's assassination was a major and traumatic event. It made us ask where we were going."

Rabbi Shlomo Benizri agrees with Bar-Or that Israel could be heading for a serious confrontation or civil war. "After peace with the Arabs, the next war will be between secular and religious people here in Israel," he says.

Like Bar-Or, Benizri embarked on a personal path, trying to discover which direction Israel was headed. The former fashion model told me: "A few years ago I came to realise that the secular state was not offering enough. I was only living for today. I then found meaning in religious life."

But unlike Bar-Or, Benizri,

son of Moroccan parents, does not believe in building bridges. And unlike Bar-Or, he has a formidable political base - in Shas.

"There is a big problem in Israel," explains Benizri in offices showing no lack of funding or staff compared to Bar-Or's constant fight for contributions. "There is democracy and there is the Jewish life. When [Abraham] Barak, president of the High Court, has to pass judgment on a democratic [civil] or Jewish issue, he always sides with the democratic life. If it depended on me, I would establish only the Halacha."

"As Jews, we waited over 2,000 years," says Benizri. "But for what? Not to have a secular country. Yet those people [the Ashkenazi Zionists] established a secular state. I want a kind of theocracy where people obey the Commandments. God will help us. The Torah is the glue of the Jewish people."

It is not only religion that drives Benizri. He is also motivated by, or maybe he exploits, the way in which the Sephardim were treated by the Ashkenazim during the 1950s, when hundreds of thousands of Jews from north Africa and Iraq settled in Israel. Against all odds, the young state housed, fed and educated the new immigrants. But the problems of integrating people from so many backgrounds often took second place to the security of the fledgling state.

Tapping into this pent-up humiliation, Benizri has

been successful in attracting Sephardim away from Likud, their traditional and largely secular political shelter, to the religious and political roof of Shas. He has achieved this by establishing an impressive education and welfare network - with a strong religious emphasis - and giving lectures across the country, persuading his audiences to return to the Torah and stand up for their identity.

"The Ashkenazim laughed at our way of life. They said we were not modern," says Benizri. "They wanted to impose the secular life on the new immigrants. My parents could not keep up their traditions, culture or religion. I had enough. I discovered the Torah. It offers meaning. Through Shas, I found I could be a voice for the people."

Shas is no ephemeron. It increased its number of seats in the 1996 election by four to 10. "And we could win as many as 20 in the next election," says Benizri.

Israeli public opinion acknowledges such divisions and their potential danger. A poll published before Rosh Hashana, the Jewish New Year, showed 58 per cent believed the greatest danger to the existence of the state was the difference of opinion and rifts within Israeli society itself.

"There were always cleavages, with the Israeli and Arab the biggest one," says Diskin. "Somehow, the external threat united Israelis. Not any more. I think it's because of the different

interpretations of reality. The intolerance towards each other is much more pronounced. The sense of solidarity has gone. I am really frightened."

Which is why Moti Bar-Or believes bridges must be built if a democratic Jewish state is to have any future. Maybe then, Israelis might be ready to party.



best

'After peace with the Arabs, the next war will be between secular and religious Israelis'

These divisions frighten Moti Bar-Or as much as challenge him. "The politicians have not taken an interest in these issues," he says, sitting in his small Jerusalem apartment.

"Since the establishment of Israel, successive governments have been preoccupied with the question of the existence of the state and its security. We are now living in a wild and scary land with no political leadership. The way we live has led to an identity crisis with people asking, why are we here? Can we really establish a pluralist Jewish society?"

Bar-Or, son of liberal east European Orthodox parents, moved from the US to Israel in 1970. Over the years, he has come to the conclusion that neither secular nor orthodox Judaism can alone provide all the answers to Jewish life. "There is a cultural struggle between the two. We have to find a way of reconciling those differences. I personally feel there is no cultural dialogue, there will be a civil war between Jews in Israel."

Bar-Or has spent the best

of his adult life building bridges, as well as making it his personal quest to understand the scope of Judaism through the Torah, the Bible. He helped found Elul, an independent centre where men and women, secular and religious, could meet and debate. And recently he established Kolot, a centre aimed at attracting leading members from Israel's business and professional community to become engaged in the relationship between pluralism and Judaism.

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This week's contents and columnists

Arts	VII, VIII	Motoring	IX
Arts Guide	XIX	Perspectives	II-IV
Books	V, VI	Property	XIV-XVI
Bridge Chess Crossword	II	Joe Rogaly	II
Fashion	X	Science	III
Food & Drink	XVII	Small Businesses	II
Gardening	XVI	Sport	IX
How To Spend It	X-XIII	Travel	XVII-XX
Lunch with the FT	III	Weekend Investor	XXI, XXII



Joe Rogaly  
Click on the icon  
'Like Blair, Clinton offers us gadgetry as a substitute for higher taxes.'

Page III

NEXT WEEK  
Pink Snow

'Another vintage year for skiing, so long as the elements keep up the good work and deliver.'

In FT Weekend

SAUNDERS MENSWEAR  
CHRISTOPHER BARRY  
BRILL OF LEEDS  
MARTIN GREEN











## PERSPECTIVES

# Leaders as varied as the people they led

Paul Johnson gives his undiluted opinions of the eight US presidents he has known

There is no substitute for meeting a US president, occupant of the most powerful elective office in world history, face to face.

Studying the personal and state papers of Abraham Lincoln cannot fail to give a vivid impression of that incomparably great man. But first-hand experience of US presidents cannot be beaten. I have met eight.

worked as a team, and they made, I thought, a rather sinister pair. In the words of Harold Macmillan, then British prime minister: "It's rather like the Borgia brothers taking over a respectable north Italian town."

## Johnson: last of the big spenders

Lyndon Johnson, who took over in 1963, was the most formidable legislator ever to rule the White House. I could not but admire his skills, even though he gave me the creeps. He had an encyclopaedic knowledge of Congress, its procedures and dodges, and its occupants, both elected and staff. No president ever got through more bills more easily.

That of course was his undoing, for his Great Society programme cost more than even America could afford, at any rate in combination with the Vietnam war, on which he spent prodigiously too. In fact, LBJ was really the last of the big spenders, and budget restraints were curbing his enthusiasm even before he decided to retire.

## Nixon: too much swearing

His successor, Richard Nixon, was the president I got to know best, though chiefly after his resignation. He had a raw deal. He came from nowhere to get himself elected, fairly and squarely, the second time by an overwhelming margin. He ought to have been the hero of the American media as an archetypal success story.

In fact, he was their hate-figure. They preferred Kennedy. And the downfall of Nixon in 1973 was, in effect, a media putsch which reversed a democratic verdict.

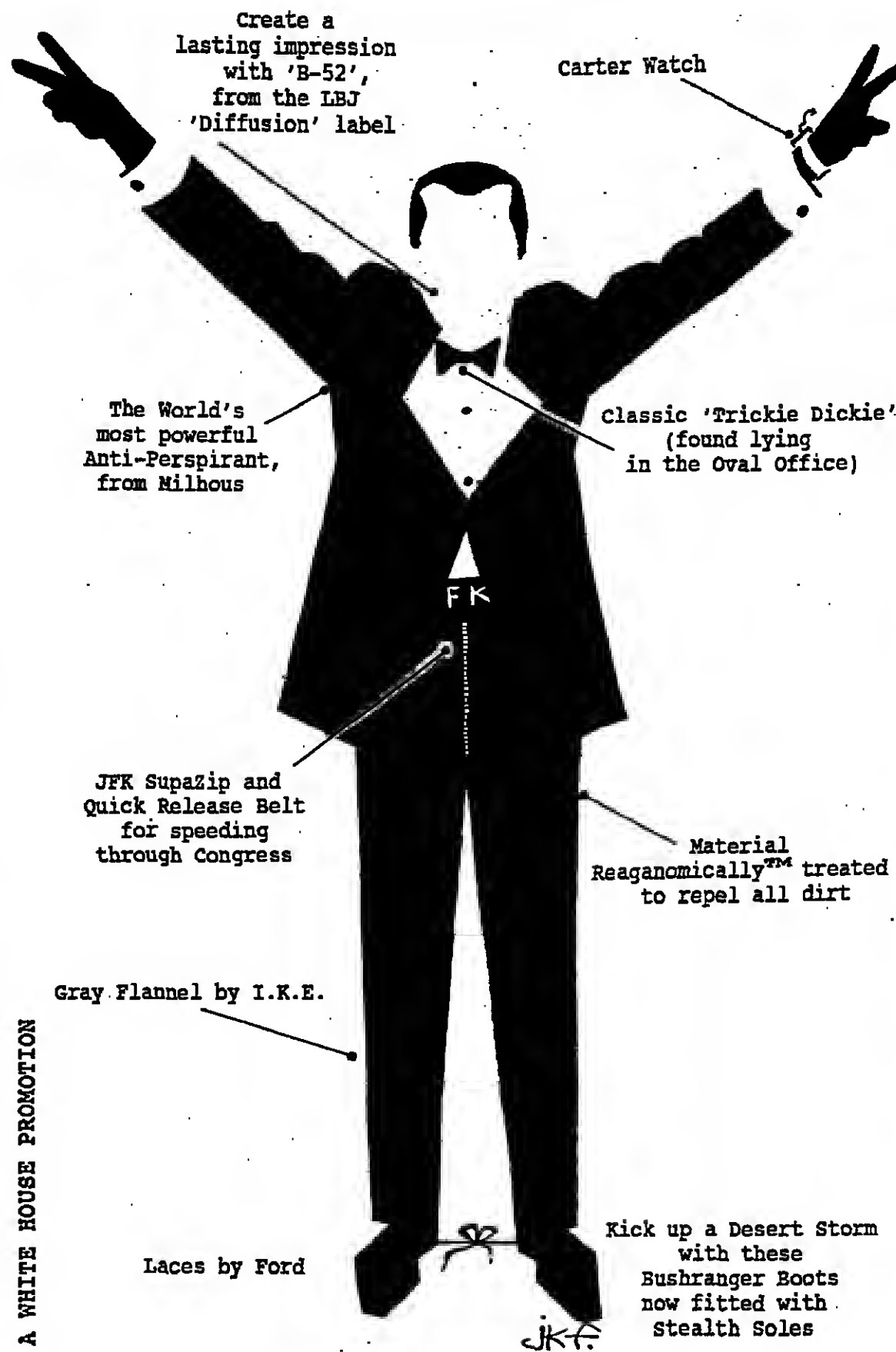
## Kennedy: something phony

Jack Kennedy, his successor, I only met once and did not like at all. His record, both before he went to the White House and during his brief spell there, was *limsy*, a view shared by his vice-president, Lyndon B. Johnson ("Jack was nothing, really").

What struck me was the curious colour of his skin - yellow under the artificial tan - and the dark pouches around his eyes. I was not surprised to learn after his death that his health was much worse than anyone supposed and that he was heavily dependent on drugs.

His speeches and his books were ghosted and there was something phony about him as though he was an artificial construct, the creation of the clever men his father paid to surround him. His younger brother, Bobby, struck me as far more able and intelligent.

In office, Jack and Bobby



A WHITE HOUSE PROMOTION

have met. He had an exhaustive grasp of US domestic politics, which he constantly updated, and which he delighted in sharing. No wonder his successors, especially Reagan, consulted him so often.

I last saw Nixon three weeks before his death, when he gave a brilliant discourse on what was going on in Moscow, reeling off names and statistics without any help from notes, and answering questions at length. It was an impressive performance from someone of four-score years and confirmed my belief that I had been privileged to know a great man.

## Ford: tied hand and foot

Gerald Ford served the remainder of Nixon's second term under the worst possible circumstances, with a triumphalist Democratic Congress usurping the constitutional powers of the White House. Despite his pleas, Congress prevented him from saving South Vietnam, Cambodia and Laos.

"They tied me hand and foot," he complained to me. As a result, at least 3m people were massacred by the communists.

I like Gerry Ford, who was a colleague of mine at the American Enterprise Institute, where I was a visiting professor. He had beautiful manners, never forgot a

name or a face, and would take immense trouble to answer my questions. LBJ sneered at his stupidity - indeed, claimed he was brain-damaged - but Ford, in my view, was not stupid: just slow, and accident-prone.

## Carter: disastrous

He was a much better president than Jimmy Carter, who beat him in 1976, and whom I observed closely during 1980, his last, disastrous year in office.

## Reagan: easy to laugh at

Ronald Reagan, when he took office in 1981, found America demoralised, out-maneuvred and in a kind of permanent semi-recession. He left it, eight years later, reinvigorated, its confidence restored, in the midst of one of the most prolonged periods of expansion in its history, the world's sole superpower, its enemies humbled.

It was easy to laugh at Reagan. The first time I met him he said: "Good to see you again, Paul." The second time, with photographers present, he told me: "Don't look at me, look at the cameras." His ideas were few, but they were good ones, held with immense determination and obstinacy. His ability to reach out to ordi-

nary people, reflecting and articulating their own views, prejudices and aspirations, was impressive.

He lived by and communicated with jokes, chiefly one-liners, of which he had an enormous repertoire, constantly added to, and delivered with superb timing and professionalism. Reagan's intense seriousness about the few central convictions in which he believed passionately was expressed through a comic mixture of irony, exaggeration, black humour and banalities.

But I don't believe anyone got really close to him. He was a monarch who kept his court at a distance and a monarch, moreover, who had more in common with Louis XIV than with the affable Charles II.

## Bush: a lot to be modest about

George Bush had a good CV and should have made a fine president. But he was no good at all. I first came across him when he was campaigning for the Republican nomination in 1980.

He caught the attention by his extraordinarily ineffectual use of words. Thus he warned a audience of the Russian menace with the phrase: "We're gonna see more fomentation of hegemony in Africa."

When he finally had to abandon his presidential bid, he told us: "Ugh! - listen, let

me tell you something, I've just come off a traumatic decision and I've got to decompress."

Bush seemed to me a kind, friendly man, with an endearing streak of modesty. But then he had a lot to be modest about. He completely misjudged the great crisis of his presidency, the Iraqi invasion of Kuwait, and would never have committed himself to Operation Desert Storm, had not Thatcher, by a fortunate coincidence, been with him at Aspen, Colorado, at the time Saddam Hussein struck.

□ □ □

The presidents I have met form a diverse group, almost as varied as the population of America itself: two first-class, "natural" presidents (Eisenhower and Reagan), two formidable but tragic ones (Lyndon Johnson and Nixon), an enigma (Kennedy) about whom opinions will always differ, a hand-capped stop-gap (Ford) who never had a mandate, and two duds (Carter and Bush).

A president can make a huge difference, as Reagan did, but the reassuring thing about America is that, whoever occupies the White House, this vast, lumbering, dynamic and ever-changing country pursues its destiny regardless.

Paul Johnson's 'A History of the American People' is published by Weidenfeld and Nicolson on Monday.

# Come on home - we need you

The tide has turned for Ugandan Asians, says Khozem Merchant

The words "homeward bound" carry particular resonance for Ramabhai Vadara. She was uprooted from her home in Uganda 25 years ago this month, fleeing President Idi Amin's persecution of an Asian trading class whose wealth outraged the African dictator.

Two years ago she returned, her way cleared by three sons dispossessed by Amin but determined to reclaim the home built by their father, Dayabhai Vadara, during happier times in Uganda.

"I have come home," said Vadara when she set foot in the property, surveying its parlous condition. "This is our home," she repeated, in the singalot Gujarati language that, business success aside, marks out this peripatetic community originally from north-west India.

This week, on the 25th anniversary of the expulsions that shocked Africa and led to the arrival of 30,000 Asians in Britain, there is the small matter of atonement.

Yoweri Museveni, the president of a reformed Uganda, will on Thursday step on to the marbled floor of the Swaminarayan Mandir in London, his shoes neatly left at the front door, offering apologies - and a passage home.

This is the heartland of the British Hindu community, the inner sanctum for the predominantly Hindu-Gujarati community thrown out of Uganda. Apologies do not come much bigger.

Museveni needs Vadara, the matriarch of a business family that once ranked among Uganda's finest. He needs her family's skills and resources to continue rebuilding the country.

Those same skills have been used over the past 25 years by the expelled Asians to rebuild many British inner cities, earning enduring applause. Uganda is now in the market for these skills and Museveni will make his pitch, invoking in equal measure Mammon and, with the revered Hindu leader Pramukh Swami Maharaj at his side, God.

Though the UK has become their base, the Vadaras, countless Patels, Shahs and other Gujaratis will barely need convincing to have another go in Uganda.

The Vadaras packed their belongings and fled four days before Amin's deadline for expulsions in November 1972. Behind them, they left tea and sugar cane plantations, houses, and the personal accumulation of seven decades. Ahead of them was an empty home in London.

Others were less fortunate. Most of the 30,000 evicted arrived in England penniless and spent the early months in army reception camps.

The Vadaras' first eight years outside Uganda were spent building businesses in Canada and developing their tea interests in southern India. But they always kept an eye on the 2,000 acres in the hills of western Uganda, vacated under duress.

Vadara's son, Narendra, was at the family's tea estate in southern India when news

of the expulsion filtered through. The first response was disbelief, swiftly followed by decisions.

Narendra flew to London and immediately on to Kampala to take stock. Then, in 1978, the tide began to turn, he said, "with the liberation of Uganda by Tanzanian forces". A year later, he and his brothers Vinod and Rasik made the first of the 25 flights they would take to the region over the next 11 years.

This first trip was "intensely emotional", said Narendra. They entered Uganda via the tea-growing districts of Kericho in Kenya. But when they reached Jinja, in a car laden with samosas, biryani and Indian sweetmeats donated by a friend in Kenya, their fears were realised.

"Our office [on the estate] was occupied by officials of the Custodian Board, which oversaw and administered confiscated properties and allocated them to Ugandans," said Narendra.

In 1983, hopes were raised further when [Milton] Obote was reinstated and a bill

## The next eight years were 'frustrating, laborious and expensive'

went before parliament announcing the return of "administered" property.

The next eight years were "frustrating, laborious and expensive", pursuing a government officially committed to a restoration of the *status quo ante* yet moving at a speed that typified African obstructivism.

For an Asian business class accustomed to business by word of mouth - fast and furious - this was a painful brush with officialdom.

In 1991, the British High Commissioner in Kampala telephoned the Vadara family to tell them that their property was to be returned. They would be given "repossession certificates", similar to the "PRO 1/2/3" forms on which they had signed away their property 21 years earlier "for safe-keeping".

The "safe-keeper" of the Vadaras' tea estate in Kakonde, Buganda, 51 miles from Kampala, was a former minister of the Obote government. In his hands, output fell from 1.3m kilos under the Vadaras' stewardship, to 250,000kg. Output has now risen to 720,000kg from just 600 acres of the original 1,300.

One of Narendra's first tasks was to trace "our loyal African plantation workers". He insists they were never hostile - "only the politicians were" - although anecdotal evidence suggests Asians often treated their African employees with disdain.

This week, at the Swaminarayan Mandir, some of that mutual ill-feeling will be washed away.

A thanksgiving service will be held on November 27 at Westminster Abbey, London.

## Truth of the Matter

# The lust to seek human extremities

Hugh Dickinson assesses whether the fruit of the forbidden tree has done us good or evil

Don't touch it!

said the Lord God Almighty, as he strolled through the Garden with his young protégés. "Don't even think about it." Nothing could be better designed to tempt them to have a go. That fatal apple on the Tree of Knowledge.

We've been munching it happily ever since. But as we spit out the pipe (which will no doubt germinate in time for a heavy crop for our grandchildren), we might ponder whether it has been good for us.

It's easy to picture the Old Almighty Tyrant as an illiberal despot hoping to keep his creatures dependent and in thrall; what will he do with his spare time if no one needs him? Despots don't tolerate much freedom of thought. The Church itself has hardly been innocent in that regard: keep the peasants in ignorance: knowledge is power.

But the point of the old myth is rather different. The

fruit of the tree, says the Good Book, was desirable to make one "wise". Not sage, sensible and knowledgeable, but, in a more sinister and primitive sense, Master of the Dark Arts, adept in the Occult, wielder of psychic powers, like Prospero, the ultimate Mage. Such powers are fearfully tempting. Absolute power is absolutely delightful.

Is there knowledge we should not seek? Images we ought not to look at? Stories we should not tell? The Marquis de Sade pictured sexual perversity so gross and stomach-churning that even to have glanced at it leaves a permanent bruise on the imagination. He advocated a cool indifference to the suf-

fering of others if it provided a unique ecstasy.

There are literary critics who will argue that the same cold detachment should insulate the intelligent reader's emotional prejudices as he assesses de Sade's achievement with appropriately clinical judgment.

Don't mess about with "morality", they say: it's only the taboo of a local tribe. Even to call it gross sexual perversity is unacceptable in some circles.

Yet we need to put some boundaries around the word "human" so that we can designate some things as inhuman. Not in the sense that human beings don't do such things, but that in some

ultimately significant sense they shouldn't. We lose our hard-won humanity if we give them countenance.

For we are driven by inordinate desires. There is a lust to seek the extremities of human consciousness in ecstasy, terror, or evil. It sounds heroic and Promethean, Man exelling himself.

Yet such excesses are incompatible with other, deeper human qualities of the soul, the heroic stillness of the mystic, the transcendent charity of a Mother Teresa, or the simple candour of the hospice nurse.

We surely want to look at the faces of our children in old age and see that transparent humanity. Not the

burnt-out hulk of a ravaged old aristocrat who fed his insatiable desires.

Is there no point at which we can say in some final absolute sense that such things are bad and should not occupy any human space? We do have a moral choice about where we put our energy, what images we hold up for contemplation.

And yet we have to keep on record the equally sickening things done in massacres in Vietnam or Bosnia, or Rwanda, or most chilling of all, in Buchenwald.

We, at least those among us with strong stomachs, have to read and see exactly what went on in those dark places in order to be able to remind ourselves in every

generation just where inordinate desire can lead us. We dare not close, let alone burn the books. But we do not put de Sade on the bookshelf in the local library; even to put it on offer gives it moral countenance.

There is a similar lust to know which drives science forward remorselessly - some would say gloriously - without any real moral control. We can transcend ourselves. Colonise the stars.

The scientific enterprise has an economic as well as ideological engine which drives research often regardless of the scruples of individual scientists or the wider community, and is happily optimistic about the longer consequences for

society or the environment.

There is a lust to know, as well as a desire for power. Robert Oppenheimer was appalled by what he and the team who made the hydrogen bomb had achieved - in his famous phrase he admitted that "science has known sin". Others in the team were dismissive of his sensitivity.

They had levered open one corner of Pandora's Box and out poured Hiroshima, Six Mile Island and Chernobyl, as well as a seemingly limitless source of power.

"Munch that apple," says the Serpent. "You won't die. You'll be gods with divine powers." There's no mention of the fall-out.

But is it always right to accede to insatiable desire for knowledge? Can we choose not to? We can't, for example, put up No Entry notices on any avenue of research. Only the scientists themselves have the knowledge, but not all of them have the moral wisdom to know when a crevasse in the relentless glacier is opening up under our feet. For, like all human institutions, the whole is greater than the sum of its parts.

There are many wise and humane scientists. But science is a global enterprise, an unstoppable tide, amoral and ultimately indifferent to humanity and the human soul.

Perhaps the Lord God strolling in the innocent Garden was right. The fruit of the Tree of Knowledge was always intended for us to eat; but we need to be gods - that is, fully human - if we are to use wisely the deadly and life-giving powers it brings. Will it allow us to choose between good and evil?



BOOKS



A young Burmese tribeswoman, photographed by Richard K. Dorian for his beautifully illustrated book 'The Vanishing Tribes of Burma' (Weidenfeld & Nicolson, £40.00). Dorian, a US gem dealer, first visited remote regions of Burma in the 1930s to buy rubies and sapphires and was impressed by the diversity of the tribal groups, whose culture, unchanged for centuries, was now under threat.

## Cellist with a lust for life

This is no kiss-and-tell biography, but an exorcism of sibling grief, writes Michael Church

After the publicity heralding it, *A Genius in the Family* comes as a surprise. The style may, at times, be Mills and Boon, but it is not a vulgar piece of kiss-and-tell. And it is emphatically not a betrayal of its tormented central character. It is the story of five characters, each with their own unique torment. And though it may not be the whole truth, every word rings true. After burying their mother, sister and father in brutally quick succession, the two survivors had a colossal load of grief to exorcise: this book is their exorcism. They wrote it to survive.

Hilary was Jacqueline du Pré's elder sister. Piers her younger brother. Hilary's torment began at eight, when she realised that her sister's genius was going to annihilate her own outstanding musical gift. Piers grew up feeling he didn't exist, the talentless

runt of the litter. Their pianist mother, Iris, dedicated her life to bringing out her second daughter's genius; in adulthood that daughter turned against her; and then, when she was felled by illness, the world at large blamed Iris for forcing her growth. Their father, Derek, started out as a celebrated adventurer, but ended up a paranoid, infatuated recluse. Hilary opens the narrative, describing how "the great and illustrious" hijacked her sister's funeral at Golders Green. Piers carries on the story, telling of their decision to protect their memories from further public trampling by burning all Jackie's letters. But when they opened the boxes and read the contents, they realised these relics could serve a better purpose: the letters could help them rediscover their sister, and reclaim her for themselves. The world had made her an icon: they would present the human truth.

As they pass the narrative baton to and fro it becomes clear their needs are different. Piers wants to let us know that he, too, has talents (for flying aeroplanes, and making money) and he wants to celebrate his unsung

**A GENIUS IN THE FAMILY: AN INTIMATE MEMOIR OF JACQUELINE DU PRÉ by Hilary du Pré and Piers du Pré**  
Chatto & Windus £16.99, 426 pages

father. Hilary desperately needs to work through the love, anger, and guilt she feels for the sister who, like a cuckoo in the nest, took everything from her, including her husband.

Much has been made in the press about the triangular sexual relationship between Jackie, Hilary and Hilary's husband, Kiffer.

And wrenched out of context, it does sound kinky. But as Hilary tells it, it seems the logical conclusion of her lifetime's devotion to her sister, and of that sister's chronic hysteria. What more natural than that Hilary should "lend" her the only man who could calm that hysteria?

Kiffer was the only man, because he alone had managed to penetrate the du Pré world. And also - more crucially - because he was a proper adult. Hilary and Piers seem forever children, with an eternal need for parent-figures to lean on. And when Jackie's marriage to Daniel Barenboim went wrong, she rushed back to be with Hilary, for the old high jinks in the bedroom and the secret games at the bottom of the garden. Neither had wanted to leave the haven of their cosy, Blytonish childhood.

Much is left unexplained in this account. Why did the cellist turn on her mother, and what

triggered her teenage mental problems? Since these authors only write about what they experienced at first hand, we don't see much of the professional Jacqueline: just witty letters home, and descriptions of a few concerts. (Barenboim, who emerges with honour here, may one day fill in some gaps.)

But somehow the authors give us the things that matter most: her quirky charisma, her lust for life, and the birth and death of her miraculous gift. Their description of the progress of her fatal disease - and her courage, before her personality changed - is agonisingly vivid.

And in their concluding section, on the nature of multiple sclerosis, they raise an extraordinary question. When the nine-year-old Jackie confided to her sister that when she grew up, she wouldn't be able to walk or move, did she have a physical premonition?



Camus prodded sacred cows

## Blueprint for modern morality

Michael Ratcliffe on Albert Camus, prophet of the post-ideological age

Try buying a paperback copy of *The Outsider* by Albert Camus at Harcourt in Piccadilly, and you will be told that it is no longer kept on the open shelves as it is one of their most frequently stolen books. Because the title still suggests a blueprint for survival to the marginalised and disaffected? Perhaps, but more because it identifies the need for a modern morality in a blunt and accessible manner - if God is dead, how should we behave towards one another and conduct our lives? And, most of all, of course, because Camus' grim comedy of a drifting between two deaths is a slim set-text that slips up the sleeve quite sweetly.

Nobelled in 1957 at the age of 43, this *pied-noir*, left-wing, anti-communist member of the Algerian working-class was buried with Parisian obsequies of respectful eulogy after his death in a car smash three years later. Not only had he won the prize that everyone except Sartre thought should have gone to Malraux, but he had kept a loyal wife and three devoted mistresses simultaneously, and was well on the way to becoming the most widely read French writer of the century. He was a prophet of the post-ideologic age, who wisely said that the modern heart is a heart that cannot bear to be judged. Olivier Todd's new biography - dogged, informative, but often ill-edited and cack-handedly translated - tells us the supremacy of Camus with readers is now unchallenged in France and beyond. His honest confusions have become the century's own.

The ability to propose a code of behaviour does not, of course, mean that you are obliged to behave well yourself: were this so, there would be no point in writing or reading literary biographies at all. Malraux and Simone de Beauvoir both thought that the gap between work and life was unusually large in the case of Camus. Todd's narrative suggests that the same energising contradictions informed both, but it is clear that he was a neglectful husband, an attentive father, an insatiable lover and a difficult (though never tricky) friend. Even at the time, in 1952, the break-up with Sartre was compared in the cafes of Montparnasse and Saint-Germain to the end of an affair.

*L'Étranger* was published by Gaston Gallimard in 1942, the German military censor in Paris having nodded it through as both asocial and apolitical, thus missing the point that therein lay its subversiveness. (Or did he? He would never have passed it in

Hitler's Germany.) Like most French writers and artists, Camus remained in France throughout the Nazi and Vichy years. Without the Occupation, he would never have written his masterpiece, *La Peste* (*The Plague*, 1947). He joined the French Resistance in 1943, and edited the flysheet *Combat*, dangerously, from a secret office in the rue Réaumur for the last 18 months of the war.

As an Orwellian journalist in Algiers and Paris before and after the war, he fought dehumanisation on all fronts, and said the unsayable, long before it was smart to do so, on Stalin's extermination and prison camps in the 1930s, for example, getting himself thrown out of the French Communist Party; and on the mysterious, retrospective burgeoning of Resistance-membership after 1945. He was a tireless prodder of French sacred cows: Robespierre, Rimbaud, Sade, revenge, revolution, and, above all, the guilt-delivered independence of Algeria which, grandly brought off by de Gaulle two years after Camus' death, would have broken his heart. Born between poverty and sunlight, he believed nobly, but hopelessly, in the honour of the Mediterranean world.

The love of his life was the

**ALBERT CAMUS: A LIFE by Olivier Todd**  
Chatto & Windus £20, 435 pages

supreme actress Maria Casarès, who died only last year. The total, uncomplicated delight on his face as he watches her in a photograph is a great relief from the solemn image with which he usually faced the world: part Bogart and part Fernandel, as he himself defined it, with a cigarette between the fingers or blockishly stuck in the mouth. He was a ladies' man, and, like many such, praised girls for their manly qualities, and had a bit of a thing about sissies. He was a passionate Mozartian, though, which in the rougher parts of Algiers might have been thought a fairly sissy thing to be, and he called his old donkey Pamina. Into the edges of this story at various points walk a dog called Pauline and the cats Brilliant and Cigarette. You can't get more French than that.

I have not seen the original of Todd's book, published in France last year, but it has not been well served by Random House, which commissioned an American translation from Benjamin Ivry and briefed him to cut it. In a note, Ivry explains he has removed material deemed uninteresting to the American and British general reader, and all notes and source-references from the back, integrating "necessary information" into the narrative text. This is often clumsily done: "Later that evening, when they were eating a North African stew of mutton and vegetables, called *tajine*, at a friend's house, Camus..."

The translation is not into any kind of lively American, but into East Coast Quaint - "cockcomb", "herky-jerky", "pled" for "pleaded", "fit" for "fitted" - while some of the renderings from Camus' *Carnets* read like barely comprehensible first drafts: "Should one bring the obsession with a work to the emptiness of a humdrum life, or on the contrary should one make one's life worthy of it by obeying flashes of lightning?" Yes indeed. I hope we are all asking ourselves those questions every morning.

Peter Carey's work reminds me of a certain kind of Australian cinema set in the recent past, when Australians were finding themselves. These films have a picturesque quality, a preoccupation with history, an uncertainty about inherited standards of behaviour, pronunciation, architecture and ethics. And they all display the belief that the Australian dimension lends gravity to what might otherwise

simply be adventure stories or pastiches. In his new novel, Peter Carey has deliberately taken aspects of Dickens and given them a spin.

There are echoes of Magwitch and Ibarah use of

Dickens's own life. But the central proposition of this novel is that the Australian light, cast retrospectively on 1837, will lend this tale depth and significance.

Jack Maggs, a man of mystery, returns to England from New South Wales and takes a job as a footman with a grocer turned gentleman called Percy Buckle. It is very soon apparent that Maggs is a criminal, but his motives for returning are complex and sinister, sentimental and ruthless - in fact, Dickensian. He is returning with a mission to achieve a reconciliation with his past. He was transported and his lover hanged 30 years before. A fainting fit while serving at his first dinner leads

to an acquaintance with Tobias Oates - Dickens thinly disguised - who is at the start of his career, full of enthusiasm, burdened by debt, entranced by Mesmerism and having a disastrous affair with his wife's sister. They enter upon a pact. Oates sees Maggs as the subject of a book, the criminal mind revealed through Mesmerism. He wishes to be "the archaeologist of his soul". Maggs sees Oates as a way of conveying his testament to his "son", a homosexual called Henry Phipps, via a thief-taker in Gloucester. (This last episode doesn't make much sense, but is meant as a dose of Victorian melodrama, I think.) In the course of the three

weeks in which the action of the book takes place, Maggs finds himself the object of Merry Larkins', another of Buckle's servants, affections. She is Buckle's concubine.

**JACK MAGGS by Peter Carey**  
Faber £15.99, 336 pages

so Buckle, too, becomes an enemy. Maggs is the subject of plots to contain him, turn him in, hypnotise him and finally to kill him. He survives them all and in the process completes Oates' Dickens's education in the harshness of life. Above all, Maggs wants to achieve some sort of English redemption, in invisible ink he writes a message for his

putative son Henry, who is living as a gentleman on his Australian gold, only dimly aware of who his benefactor is. Henry, it seems, is not really his son, but was very kind to him when, at the age of four, he aided Maggs who was being transported. Here, Carey has gone straight to the heart of Dickensian sentimentality. The subject of Maggs's message is an account of his life of crime, transportation and rehabilitation. But Jack Maggs's real meaning in Carey's story is that - although he does not yet acknowledge it - he is a newly-made Australian; the scars on his back from flogging are a badge of authenticity. Out of a skilful Dickensian

pastiche, we are to see the new archetype emerging. This transmogrification happens finally in a bit of a rush at the very end of the novel: Maggs returns home to be reunited with his children and his considerable property with his new companion, Merry Larkins. Merry proves to be insatiably bourn-

geois and moral, despite her upbringing in the Rookeries of Covent Garden. She and Maggs settle down to prosperous respectability, so confirming that, contrary to popular opinion, there is no such thing as the criminal mind. Which, of course, is very lucky for Australia. This is a very enjoyable and accomplished book, combining Carey's love of detail and texture with his ability to make sparkling fiction out of known fact. Although, at first sight, a very accurate pastiche, it is slyly post-modern.

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## BOOKS

No period in history has been more penetrated by and more dependent on the natural sciences than the 20th century, or so Eric Hobsbawm declares in *The Age of Extremes*. He goes on to say that no period since Galileo's clashes with the Catholic Church has been less at ease with science. Both are true, and the more so the deeper into the century we have come. So it is natural, before the millennium, to want to take stock of science.

The task is scarcely less daunting than writing a complete history of the century. Krige and Pestre's weighty collection is not, alas, a synthetic history of 20th century science for the general reader. But it does bring together 46 excellent essays by historians of science which bring home the extraordinary vitality and variety of the sciences in our time.

There is virtually no part of the natural sciences which has not been transformed in the last 100 years. The earth sciences have a unified theory which is completely new, explaining drifting continents, the genesis of mountain ranges, the origin of volcanoes and earthquakes, and the recycling of the earth's crust. That great 19th century science, evolution, has been recast in terms of genes and molecules to give a grand, unified theory of biology. The quantum theory,

# Secrets of the universe revealed

The pace of scientific discoveries this century has been dizzying, writes Jon Turney

just part of physics, nevertheless functions as a unifying theory for chemistry, bringing order and predictability to the bonding of atoms to make new substances.

And physics itself – the dominant science of this century in both intellectual and political affairs as well as in the laboratory – hovers on the brink of the ultimate unification, explaining the evolution of the entire universe (or maybe infinite universes) in terms of a few fundamental particles and forces. It is hard to resist the conclusion that science has been much the richest part of 20th-century culture.

All this has been brought about through the efforts of ever more scientists, and through use of instruments which extend our senses into realms which few imagined would ever be surveyed. We can observe a universe incomparably larger than we thought – with its myriad galaxies arranged in clusters, super clusters and, it appears, clusters of super clusters. And we can record the behaviour of the shadowy entities which make up that universe in vanishingly small

instants, during which they may travel distances so short they are hardly measurable.

All this has been brought about by unprecedented state support, evolving through the three great wars of the century – the first and second world wars and the Cold war – and before a public variously awed, baffled, enthused, intimidated or threatened by science and its technological consequences. At the close of the century, we are not sure if we love science or hate it, but we know we can't do without it.

Increasing dependence on science and technology has brought increasing ambivalence towards them. And the end of the Cold war has accelerated the demise of old assumptions about how science should be supported. New anxieties about global problems, increasing distrust of governments, and challenges to expert claims of all kinds mean that science policy is heading into uncharted waters.

In 1945, Vannevar Bush submitted a vision of the future of research to the US government under the title "Science the Endless Frontier", and its assumptions became the common coin of postwar science

policy in the west. There was general agreement that the state would support more and more basic research. Outside the defence sector, scientists in universities, and even government laboratories, were left to decide how to spend the

SCIENCE IN THE TWENTIETH CENTURY  
Edited by John Krige and Dominique Pestre

Harwood £80, 941 pages

THE QUARK MACHINES – HOW EUROPE FOUGHT AND WON THE PARTICLE PHYSICS WAR

by Gordon Fraser  
Institute of Physics Publishing £15, 206 pages

cash. In return, technological benefits would flow from their research in essentially linear fashion. The public, on the whole, were seen as enthusiastic bystanders, who shared Bush's faith in progress through science but had no role in deciding what science had to do.

Fifty years on, not one of these assumptions still holds. State research spending has levelled off. Few now believe there is any clear line between basic and applied research, or that innovation is a linear process. Governments and voters expect to have a say in research priorities. Anyone chasing a scientific career has to find a path through a complex and rapidly changing research system, where old securities have been largely dissolved.

Ideas, information, people, techniques and tools interchange constantly between different research sites, and between groups trying to solve different kinds of problems. And those outside science are less sure of the enterprise. Science and technology are still seen as engines of social change, but that change is no longer equated with progress.

The history of particle physics is partly defined by these shifts in priorities and mood. While Krige and Pestre's collection will be the best single source for anyone curious about the full sweep of 20th-century science, Gordon Fraser offers a blow-by-blow account of one of its more striking enterprises – the exploration of the

infinitesimally small using ever larger particle accelerators to smash tiny pieces of matter together and catch the evanescent fragments in flight before they transform into something else. Fraser is editor of the house magazine of Cern, the European particle physics complex near Geneva, and focuses on the postwar competition in particle physics.

His is an insider's account, overloaded with detail; there are many better expositions of the wondrous unfolding of quantum electrodynamics and the emergence of quarks as the (thus far) smallest pieces of world stuff. But it is an account worth having, for its record of how the struggle for dominance in fundamental physics looked from the European side.

This is a story which includes many of the great moments of 20th-century science, from Rutherford and a few colleagues bombarding tin foil with neutrons to the proton-antiproton collider at Cern, sunk in a 27km tunnel and spanned by enormously complex detectors, each of them an experiment involving hundreds of scientists.

Cern has always been both a

symbol of European co-operation and an effort to compete with the US, pre-eminent in particle physics ever since the second world war. Now, the way appears open for Europe to take the lead. The post-Cold war mood in Congress meant that few saw the urgency in cracking the remaining secrets of the universe, and the largest accelerator project yet – the superconducting supercollider in Texas – was cut short, leaving a \$1bn hole in the ground.

But it may yet turn out that a contest with nature alone is less compelling to Cern's European paymasters. A reunited Germany, coping with economic reconstruction in the east, is already cutting its contributions. Cern and its like may be our equivalent to the cathedrals of medieval Europe, as the American Alvin Weinberg suggested in the 1960s. But there was never any urgency about building them.

The end of the century may well see the end of this style of big science, as governments look elsewhere for security and prestige. If so, Fraser reminds us, it produced an astonishing yield of new knowledge while it lasted. Krige and Pestre's collection makes one feel that this kind of success, repeated many times in other fields, may be part of the problem. The pace of the scientists' advance has been so dizzying, the rest of us are perpetually struggling to keep up.

## The bearded shaman of the movies

Is Stanley Kubrick a genius? asks Nigel Andrews

One of the hypnotic hazards of being a film critic is that you sometimes meet people who have worked with Stanley Kubrick.

Like those who appeared with Morecambe and Wise, they show signs of advanced stress. A leading Hollywood star once begged me to retrieve her precious chess set from Kubrick, with whom she couldn't get in touch after a year spent filming together. And a screenwriter who worked at his Hertfordshire retreat spoke of the frequency with which his guests were scrambled to patrol the perimeter security fence, in the event of even the suspicion of a disturbance.

John Baxter's highly readable biography makes Kubrick maddening, endearing and paranoid in equal portions. Born in the Bronx, he passed through school with poor grades. Yet before reaching 50 the director had made most of space and time his empire. He gave us *Spartacus*, *Dr Strangelove*, 2001, *A Clockwork Orange* and *Full Metal Jacket*. And the sweep of subject matter and setting is no more remarkable than the consistency of vision. For Kubrick, human beings are mice on a metaphysical treadmill. The great wheels of fate and happenstance keep turning, while we creatures strive to stay balanced, hoping for little crumbs of meaning or comfort on the way.

Is Kubrick a genius? He is eccentric enough for one and as demanding. He has secured a long-term contract with Warners that almost beggars belief. He controls his films up to and beyond the final cut. (He singlehandedly banned *A Clockwork Orange* in Britain after brou-

hahas about violence.) And he can be sure that no plug will ever be pulled on his productions, even when they run months over schedule.

Many of the stories in Baxter's book are riveting. How Kubrick enhanced the realism of the battles in *Spartacus* by equipping maimed extras with synthetic body-parts filled with animal guts, which would burst at the slash of an amputating sword. (Preview audiences were so revolted that he cut the scenes.) How he spent a week reducing the cast of *Dr Strangelove* to exhaustion

STANLEY KUBRICK  
by John Baxter  
HarperCollins £20, 386 pages

LYNCH ON LYNCH  
edited by Chris Rodley  
Faber £15.99, 262 pages

with a climactic pia fight, and then cut that. How he gave an eight-hour interview to *Books* magazine and then embargoed all but four sentences. How he insisted that a costly set for *The Shining* be rebuilt after a studio fire, even though he had only a few close-ups left to shoot.

There is a risk in such crazed autocracy. The man can come to seem more interesting than his movies. Back in the 1960s, when Kubrick made his great dip-tych about the omega and alpha of our Einsteinian existence – nuclear war (*Dr Strangelove*) and space/time rebirth (2001) – the masterpieces spoke for the master. The films were created not from books but from Kubrick's own brain, sifting and blending ideas from gifted collaborators such as Terry Southern and Arthur C. Clarke.

Today, under-energised literary makeovers such as *The Shining* and *Full Metal Jacket* seem less captivating than the increasingly weird persons behind them. Here is a bearded shaman whose tantrums cow every superstar and terrify every employee. ("What am I going to tell Stanley?" is the favoured mantra of errand-runners who have failed an errand.) Here, too, is a man whose publicity-shyness, just like Greta Garbo's or T.E. Lawrence's, will probably ensure that Baxter's biography is but one of a swelling number.

David Lynch deals with those parts of the universe left uncolonised by Kubrick. The netherworld, the occult, the deeps where logic falls and dreams begin. *Lynch On Lynch* is a book-length question-and-answer session in which the director who created *Eraserhead*, *Blue Velvet* and *Twin Peaks* tries to explain why.

Once dubbed "Jimmy Stewart from Mars", Lynch emerges as likeable, anecdotal, and almost as powerless to expound his work as his audiences are. There are indicative, if oddly matched offscreen enthusiasms, from Francis Bacon's painting to Roy Orbison's music, but Lynch is clearly one of those artists who believe that to over-analyse is to destroy.

No serious movie-lover, however, can resist an imagination that gave us talking radiators, Killer Bob, the elephant man and those "damn fine cups of coffee"; nor a director who vented his frustration with work on *Dune* by launching a newspaper comic strip called "The Angriest Dog in the World". The pictures never changed, only the increasingly bemused, funny and apologetic speech balloons.



Stanley Kubrick, master of the universe: this new biography of the director makes him maddening, endearing and paranoid in equal portions

## An American patriot for me

Ten cheers for Gore Vidal for putting the knife in so penetratingly, writes A.C. Grayling

Gore Vidal is a phenomenon. He is a master of mordant, savage, scathing, amusing, intelligent, penetrating prose; and he is one of the few genuinely sane people in the world. It is the fate of these latter to be thought perfectly mad, which is why he will not be, as he should be, put straight into the White House without delay, to save the United States of America and thereby, coincidentally, the entire world.

Vidal is an American patriot. This claim will doubtless puzzle those defenders of today's United

States who have been mercilessly (and usually hilariously) skewered by his pen. But it is true; he is a patriot of the old Republic that was demolished after the second world war to make way for the "National Security State", invented by Harry S. Truman and the monster corporations which own the media and the arms factories and therefore – in short – USA Inc. itself. Like

a senator of Augustan Rome who looked back to the liberties of a purer pre-imperial past, Vidal has a homeland; his most formative years were passed in witnessing its disappearance.

If Vidal had his way, there would be a Constitutional Convention to reform America's institutions of government, as desired by the Founding Fathers who expected that their arrangements would need periodic modification – Thomas Jefferson wanted a Convention at least once a generation because "you cannot expect a man to wear a boy's jacket". Article Five of the Constitution provides for just such a thing. Once the Supreme Court ceases to be the Executive's tool, says Vidal, and both Executive and Congress cease to be employees of the giant cor-

porations who bankroll their elections, the necessary work can be done: America's economy can be converted from a war footing to peace (make bullet trains rather than submarines), a national health service can be instituted (no longer blocked by

VIRGIN ISLANDS  
by Gore Vidal  
Andre Deutsch £17.99, 245 pages

the insurance companies who pay Congressmen), power can be devolved from the surreal confines of Washington's Beltway, and a proper representative democracy will withdraw America from its expensive and immoral empire. The five trillion dollar debt accumulated by successive administrations to pay for the Cold

war will not be discharged at a stroke; but the country would at least be moving in the right direction.

Vidal aims a scorching stream of sarcasm at those American conservatives ("whatever that word now means," he remarks, pointing out that the US has only one political party with two right wings) who wish to retain the US's imperial role, ostensibly because American hegemony maintains global peace ("tell that to the Asians") but in reality to keep America's arms companies in business, and their bosses – who now take a larger slice of wealth, and pay less back in taxes, than ever before – in comfort.

Vidal's homeland gets a mauling, but his faithful acolyte does not escape. Britain, "those bright and islands where ignorance must be

lightly worn", has followed the US in evolving a single-two-right-wing-party system; asked during the late election which of the two is further to the right, Vidal loftily remarked, "One does not bring a measuring rod to Lilliput".

The second and third parts of this three-part collection of essays are concerned with politics and policy, in which Vidal and his genes have together been marinated for half, if not more, of the US's history. What Vidal shows is not pretty; for all the delicious acidity of his wit, his point is earnest. But note this: Vidal does not hate the US, only what it does, both at home and abroad. Like the remarkable journalist he so admires, Andy Kopkind, Vidal has a "separate war" not with America, but with its unaccountable corporate

paymasters and their servants within the Beltway.

The first section of the book collects essays about books and writers. Here as everywhere else Vidal remains that rare thing, a high pleasure and a deep education combined. He never pulls punches; he likes or he dislikes, and gives cogent reasons. His pessimism about politics is mirrored by pessimism about reading and the fate of the novel – he thinks the day of such things is over, displaced by the internet and other, more general, forms of illiteracy. He should be happy to learn that he is wrong; in the arid British Isles, more books are published every year than in any other country, and more people are reading them.

The essay in which Vidal – slowly, pitilessly, beauti-

fully – skins and guts that hapless Rabbit, John Updike, is a masterpiece; the naked lop-eared corpse is left rotting slowly on the spike Vidal drives up its vertical axis as a warning to anyone who dares beard him. If this essay on Dawn Powell does not revive merited interest in her work, nothing will; likewise, Vidal's illuminations of Sinclair Lewis and Mark Twain show what intelligent discourse about books should be like, a lesson for that class of individuals Vidal so magnificently despises (and, in these essays, so utterly routs), the college professors.

This is all outstandingly good stuff. Ten cheers for Gore Vidal.

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ARTS

While old certainties crumble, old prejudices die hard: there are still those who find much Victorian art overblown and ludicrous. Certainly the reaction against it was quick to come and of an unprecedented severity. Victorian art was long a joke, and remained so until some 30 years ago.

Although the return to favour has been no less sudden and extreme, interest still tends to fix upon particular artists or groups. The pre-Raphaelites always retained some critical credibility, and since the 1970s we have had major studies of Burne-Jones, Rossetti, Alma-Tadema and Leighton. But we still wait for Millais, Watts and the rest to get their retrospective due.

As for Symbolism, which touched them all, far from being the aberrant and peripheral phenomenon of prejudice, it now dwells on us as that it was one of the great forces at work upon the post-Romantic imagination. To look only to Pisarro, Gauguin or Van Gogh, or to early Picasso or Modigliani, is to see that in the 30 years before the Great War, Symbolism was a central preoccupation of the avant-garde. The differences were only of application and expression.

In that climate of general interest, British Symbolism, far from being the minor product of a provincial backwater, was internationally significant and influential. Edward Burne-Jones, whom Ruskin called in his defence when Whistler sued for libel in 1878, was the most famous English artist of his day.

Not the least pleasure of the exhibition of Victorian Symbolism, which the Tate Gallery's Andrew Wilton has arranged around the work of Rossetti, Burne-Jones and G.F. Watts, is to find Whistler and Burne-Jones together at last on the same side. Indeed Whistler as Symbolist, even in those minimal, twilight evocations of the Chelsea river, emerges more clearly now than in the retrospective of a year or two ago.

The context is all, and throughout the show Wilton has been at pains to make this point - not just by local links to Modernism such as Whistler and Albert Moore, but by foreigners as well, the more acute for being at times so unexpected. In the first room, full of richly ambiguous female portraits of about 1860 by Rossetti, Sandys and Leighton, and a sensuous nude by Watts, who would quite expect to find Courbet's head of Whistler's beautiful mistress, Jo



Richly ambiguous: 'Lady Lilith', 1864-6, by Dante Gabriel Rossetti

## Victorians back in the picture

This show explodes the myth that British Symbolists were isolated, argues William Packer

Hifferman (1866)? But there she is, gazing at herself as she runs her fingers through her thick red hair fallen loose about her shoulders, as ambiguous and as ravishing as any Rossetti 'Lilith' or 'Aurelia' hanging nearby.

Further on, Fantin-Latour too makes an unlikely but not unreasonable appearance, with a fantasy upon the first scene of *Das Rheingold*. Others less surprising, from Purvis de Chavannes to Moreau and Redon, get a look-in, all serving the same purpose in exploding the myth of isolation. Frances Macdonald of the Glasgow School, proves to have had a direct influence upon Klimt. And how interesting to learn that an admiring Knopff swapped drawings with Burne-Jones.

The show is set out by theme in a loose chronology, from that first room of 'Lilith and her Daughters' through 'The Suppression of Meaning', 'Private Thoughts' and so on, to 'Climax' and 'Epilogue'. The Symbolist state-of-mind is

naturally much pondered, the sexual ambiguities, the mythologies, the threats and fears, the incipient decadence. But the power of these works lies not just in bare narrative or suggestion, but in the physical painting, drawing and sculpture. Long loose hair may be a symbol of sexual laxity or invitation, but it is the exquisite painting of Sandys' 'Mary Magdalene' that realises the imaginative possibility. 'Love among the Ruins' may be the title, but it is the dry delicacy and precision of Burne-Jones's briars that give it its visual, imaginative life.

Rossetti and Burne-Jones are the obvious stars, especially Burne-Jones, with his 'King Cophetua' hung low and viewable: and his wonderful 'Golden Stairs', with its train of white-robed girls in curious anticipation of Duchamp's 'Nude descending a staircase', has never looked more impressive. As for George Frederick Watts, in his time hardly less celebrated than Burne-Jones but long derided, he has yet to emerge fully from the shadows.

Wilton does all he can but, with two exceptions, Watts still suffers in relation to his fellows, his images and surfaces as dense and cluttered as his meanings. But those exceptions are enough to reveal an artist worth full

and further study. The ripe, half-length nude at the outset is worthy of Courbet's 'Jo' beside it. And 'Hope', that meek, blindfolded waif hunched upon her globe, her harp with but a single string, is here in its second and more delicate version, as beautiful and poignant as anything in the show. Picasso made his variation upon her more than 90 years ago. No image in art is more familiar. It is a great painting.

The Age of Rossetti, Burne-Jones and Watts - Symbolism in Britain 1860-1910: The Tate Gallery, London SW1, until January 4. Sponsored by Prudential.

Dealers spend much of their time trying to talk down the importance of antiques brought to them for sale, antiques which are usually poor imitations of objects admired by experts on television. They are also pressurised by the newly street-wise public to offer them the trade discount. For, whatever their good intentions, most television programmes about antiques are not designed to inform and to excite, but to pander to the antique owners' greed. Everyone involved is in danger of knowing the price of everything and the value of nothing.

## Television/Antony Thorncroft Heir today, gone tomorrow

At 7.15 on Sunday evening an unconscionably large chunk of the British population will settle down in front of BBC1 for *The Antiques Inspectors*, where they will see the same scene enacted over and over again. A couple of characters, the types you would edge away from at a party, ring the bell of some suburban house, to be welcomed in by nervous homeowners. They then enthuse over some Chinese vase or 18th-century bureau of totally unexceptional interest. Then on to the next door bell; the next weary antique.

The idea is that a hit-squad of experts descends on some twee town and awakens the inhabitants to the importance and value of their home furnishings, making the point that you do not have to live in a stately home to own items of interest. *The Antiques Inspectors* is just the latest in a long succession of programmes to feed the British viewers' insatiable appetite for old objects.

The classic was *Going for a Song*, in which Arthur Negus lectured the nation on patinas and marquetry. *The Antiques Roadshow*, in which hopeful owners of 20th-century Rembrandt copies saw their nest-eggs disappear before their eyes as the man from Christie's pulled apart the authenticity of the family heirloom, was a worthy successor.

The current crop of antiques programmes, notably *The Antiques Show* and Channel 4's afternoon time filler, *Collector's Lot*, as well as *The Antiques Inspectors*, lack such human interest. But they do help to perpetuate the pernicious myth which makes life so hard for antique dealers - that any item of old rubbish found in the attic must be rare and valuable.

Dealers spend much of their time trying to talk down the importance of antiques brought to them for sale, antiques which are usually poor imitations of objects admired by experts on television. They are also pressurised by the newly street-wise public to offer them the trade discount. For, whatever their good intentions, most television programmes about antiques are not designed to inform and to excite, but to pander to the antique owners' greed. Everyone involved is in danger of knowing the price of everything and the value of nothing.

These programmes would be doing a much better job if they showed how the antiques world really was, rather than concentrating on quirky collectors and oddball objects. It would also be marvellous if they attempted to fashion the taste of the British. An introduction to contemporary art, and how it might be bought, and to the economics of taste, would be commendable. It would help to transform programmes that are too often silly and superficial into serious television.

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## Opera/Richard Fairman Travelling light

During the autumn, Glyndebourne Touring Opera takes a ray of summer sunshine to selected towns in England. This year's operas comprise the productions of Rossini's *Le Comte Ory* and Janáček's *The Makropulos Case*, which

were seen in the festival, plus a revival of Mozart's *Die Entführung aus dem Serail* from a decade earlier.

The Rossini is a delight, improving on the summer original, both in its staging and - marginally - its cast. It is ironic that the provincial tour should see a more classy Rossini than the festival itself. The problem with this production was its tendency to rummage for jokes in the bottom drawer, but the revival producer, Christopher Cowell, has neatly excised those, while keeping its sense of fun: the opera no longer seems a vulgar belly-laugh.

Perhaps it would be stretching a point to call *Comte Ory* subtle, but this revised staging did reveal more clearly Rossini's expertise in leaving his Italianate opera buffa with a French souflet lightness. In the summer the singer of Countess Adèle was a model of Gallic chic, but Anna Maria Panzarella did nicely in her place. Barry Banks was a big improvement as Count Ory, a lighter tenor who really could run up to the highest notes without sounding as if he was pulling a muscle.

With Imelda Drumm a

winning Isolier in every way, Christopher Maltman displaying an attractive, youthful baritone as Raimbaud, and Penelope Walker luxury casting as Ragone, this was a well-balanced cast. The GTO Orchestra may not be the London Philharmonic, but it played with plenty of verve for Ivor Bolton, who is not a Rossini conductor to hang about.

By contrast, the Mozart was an uninteresting affair. There is so much more to *Die Entführung* than meets the eye, not least the undercurrent of cruelty which Mozart twists into seemingly harmless humour. Here it had no dangerous edge at all: Osmin was never threatening, the Pasha's forgiveness left no feeling of magnanimity. Richard Farnes kept the opera moving along, but his singers - with the exception of Mary Hegarty's bubbly Blonde - had either voice or character, never both. Gillian Sullivan's beautiful soprano asks to be heard in middle-range lyric music, not Constantino's high, fast coloratura.

Carlo Vincenzo Allemano sang Belmonte with delicacy, but not much emotion. Gregory Fraok's Osmin introduced a floe, well-focused bass voice, allied to almost no personality at all. Only half-marks for this one, but the Janáček, which opens next weekend, looks promising as the last of the tour programme's trio.

GTO season sponsored by the Peter Moores Foundation.

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## ARTS

## Basques make a dangerous liaison

The marriage between the Guggenheim and Bilbao is, for some, preposterous. Dumping an immensely costly collection of avant-garde art assembled in New York on an inward-looking people ravaged by rust-belt recession borders on the absurd. When the 5th Avenue museum lands in a politically polarised society such as that of the Basques, the exercise begins to look as dangerous as it is ludicrous.

Yet, for others, the marriage is logical. There is a compelling argument, and a fatal attraction, that links an angry postmodern imagination to a violent and exhausted society that has run out of the industrial options that once made it wealthy.

The logic was readily apparent to transatlantic perceptions. "Wow, Bilbao, the tough city," US sculptor Richard Serra told his friend Frank Gehry, the Californian architect. Serra recognised the potential of the bond early on, and his works will form part of the permanent collection in the spectacular edifice that Gehry has built by the grimy Nervión river that girds Bilbao.

Thomas Krens, the ambitious director of the Solomon R. Guggenheim Foundation, saw exactly the sort of building he wanted from Gehry when he spotted a derelict wharf as he was jogging across La Salve, the high steel bridge that spans the Nervión, in May 1991. Krens was later to liken his vision of the future Guggenheim Bilbao museum to a Pauline encounter on the road to Damascus.

Basque anthropologist Joseba Zulaika, a friend of Gehry, answers the clichéd "where is modern art going?" question with the suggestion that it could be going to Bilbao, lent on a long lease by the Guggenheim. Krens pulled off the apparently astonishing feat of persuading the local Basque politicians to pay mightily for the lease; "I'm a professional seducer," he told Zulaika for his book, *Guggenheim Bilbao, Crónica de una Seducción*, "it's a certain way, the greatest where in the world."

Seducing Bilbao politicians into parting with Ptas25bn (\$153m) of public money for the Guggenheim package was not, in fact, difficult. A different logic was at work, here: the local authorities were desperately searching for a talisman to revive the area's fortunes. They turned to Krens and Gehry when they failed to attract investment from General Motors and McDonnell Douglas.

Joseba Bergara, the politician who holds the purse strings for Bilbao and its surrounding province of Vizcaya, concedes that the museum is a "risky gamble", and an unusual one for a city which has in the past put its money on industrial development. *Faute de mieux*, he and his fellow members of the ruling Basque Nationalist Party opted for "an emblematic symbol like the Sydney Opera House".

The Guggenheim Bilbao is the cornerstone of a far-reaching renewal plan along the banks of the Nervión that Bergara com-

pares with London's Docklands development. His bet is that it will have a knock-on effect and eventually change negative views about the Basque Country.

A report commissioned by the Basque regional government established that 85 per cent of the news about the area published in the US was about political terrorism.

"The Guggenheim changes everything," says Joseba Inchaurraga, who has responsibility for cultural affairs in the Bilbao city council. He argues that it is the spearhead of a national plan to regenerate Euzkadi, the Basque Country. It is an investment in culture in its widest sense.

It is this vision that excites Javier Gonzalez de Durango, a novelist who directs Bilbao's Rekale art gallery and advised the Basque politicians in their negotiations with the Guggenheim foundation: "what is extraordinary is that the Basque government has entered wholly, forever and without any options, into a dazzling cultural commitment. Its involvement with the arts was zero before."

"Obviously a museum is not going to stitch society together again. Solving our problems is going to take three generations," says Gonzalez de Durango. "But the Guggenheim is a start; it means that there is a will to get our necks out of the slime and the opportunity to see everything differently."

And yet the marriage looks preposterous on at least two fronts: the cultural one that the postmodernists rave about; and the economic "logic" that caused the penny-counting politicians to spend a king's ransom in the Guggenheim's avant-garde hypermarket.

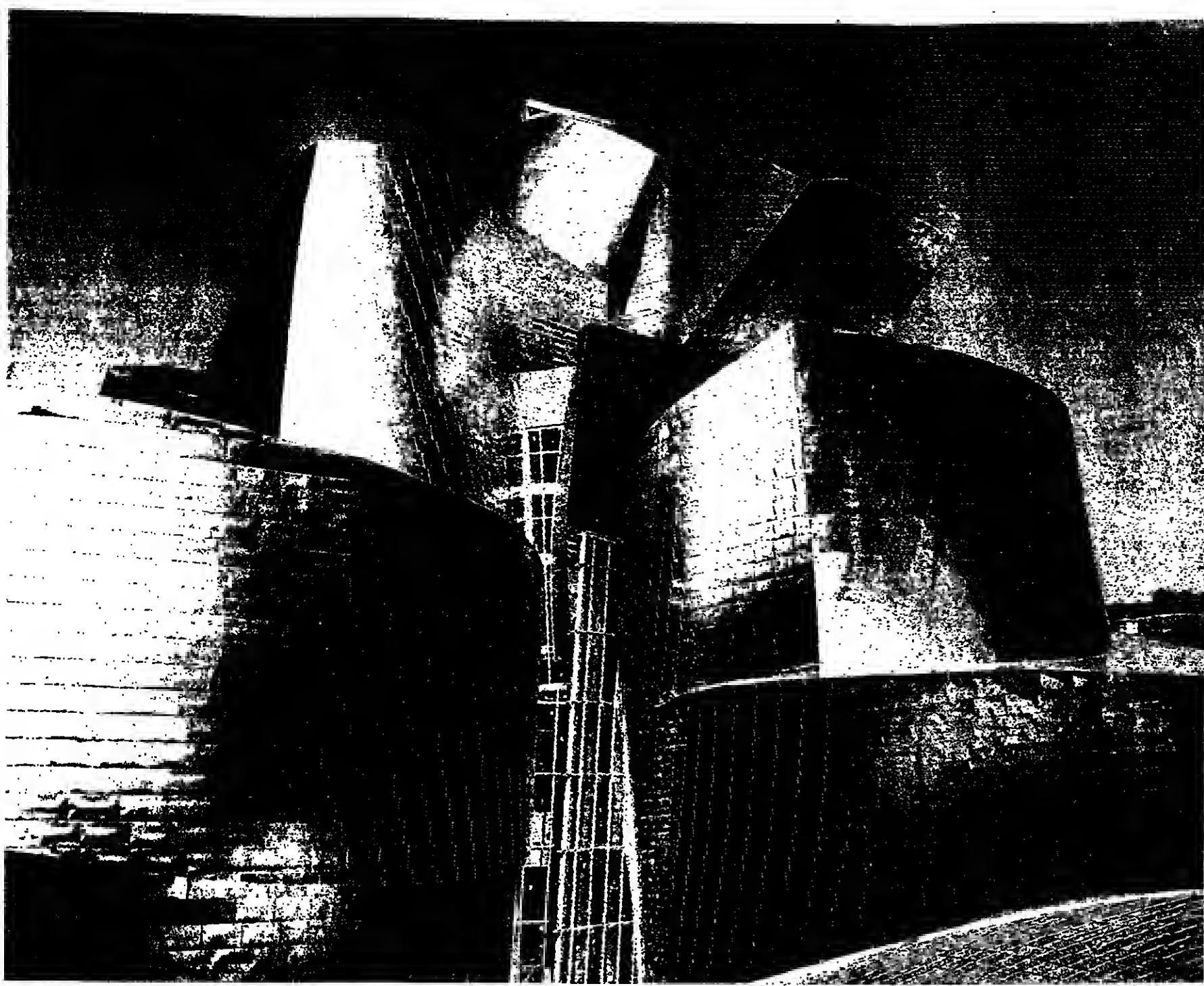
Jorge Oteiza, an acclaimed local sculptor has slammed the Guggenheim deal as "artistic genocide". Krens' grand design - of a constellation of Guggenheims in orbit around the foundation's New York headquarters, showing rotating exhibitions of works - is frequently described as "cultural colonialism". Oteiza goes one step further and says: "The Guggenheim Bilbao is 'pure Euzkadiism'."

The Ptas25bn price tag for the package negotiated with Krens includes the cost of the Gehry building; a Ptas2bn franchise payment for use of the Guggenheim name; and Ptas1bn set aside for the acquisition of works, on the advice of the Guggenheim, for the Bilbao museum's own collection. Such colossal handouts should be set against the Ptas15m annual grant awarded to Bilbao's fine arts museum, which has a moderately good collection of Spanish and Flemish old masters.

The Basque government has also undertaken to pay the bill for annual deficits at the Guggenheim Bilbao that, under present estimates, will run to Ptas1bn a year through to 2,000. The estimates are based on the assumption that the museum will attract half a million visitors, 40 per cent from outside Spain, a year - a forecast which could be wildly out of place.

Zulaika argues that the Basque government has put all its cultural eggs in the Guggenheim basket. Without Basque society having any say in the matter, the politicians have signed away to Krens the museum and aesthetic policies for the foreseeable future.

Tom Burns



This awesome building poses a serious dilemma for the museum curators: what work of art can hope to compete with Gehry's masterpiece for the visitor's attention?

## Spaced out in Bilbao

Peter Aspdén visits the new Guggenheim Museum, hailed as the last great building of the century

As the world's press clusters around the soaring cosmic cauliflower which has already been hailed as the last great building of the century, Frank Gehry, the unassuming Californian architect responsible for the Guggenheim Museum Bilbao, pulls off the charming feat of sounding as if there are some questions he has never heard before.

The most common inquiry seeks to establish the influences on his radical design; to keep his responses fresh, Gehry has more than one answer, depending on how playful he is feeling. In the morning, he might talk of Fritz Lang, the trains that pull into Berlin's Museum Island, the finely honed curves to be found in Francis's studio. Later in the day, he quotes Matisse's cut-outs and Maurice Chevalier's "Stairway to Paradise". Asked to describe the delicate process of manufacturing the striking titanium panels which give the museum its shimmering majesty, he reverts smoothly to west coast kitchen-speak: "It was a matter of getting the balance right between the oil and the acid, just like mixing a salad".

The humour comes easily; but for the museum curators, this awesome building presents them with a serious dilemma: what work of art can hope to compete with Gehry's masterpiece for the visitor's attention? For its inau-

gural exhibition, *The Guggenheim Museums and the Art of This Century*, they have played safe: a selective retrospective of the century's art, largely brought across the Atlantic from the Solomon O. Guggenheim Foundation's New York collection.

The foundation director Thomas Krens plays down any attempt to provide a grand narrative or encyclopaedic display; it would be "inappropriate in these post-modern times", not to mention a subject of controversy in itself. Instead, the museum's 19 galleries tell a "series of short stories, or vignettes of the 20th century", starting with Cubism and ending with Damien Hirst.

The display is anti-chronological, and random: to get to the starting point, the viewer has to ascend to the top floor of the museum, where three rooms of early century masterpieces beckon. But in truth, so stunning is Gehry's atrium of steel, glass and Spanish limestone, that it begs to be explored via its curved walkways and generous open spaces before any art is engaged with at all.

These three rooms, housed in the most classically rectilinear galleries, contain an unsurprising overview of the century's most fecund period. The vignettes told here are powerful indeed: the logic of Kandinsky's hugely influential journey to abstraction in the space of 15 years and half a dozen paintings; the haunting

contrast between the carefree sensuality of Franz Marc's reposing "White Bull" from 1911, and the jagged limbs and mustard flesh of Ernst Ludwig Kirchner's "Artillerymen" taking their desolate showers, painted just four years later.

But, impressive as this is, we could be any- where; the interior spaces of the Guggenheim Bilbao offer far more. Most successful of all is the huge boat-shaped gallery, 130 metres long, 30 metres wide, which currently entertains American Pop, Minimalist and Conceptual works since 1950. Richard Serra's "Snake", three serpentine screens of rusted steel, perfectly commissioned for and specially echoing the giant, graceful curves of the gallery itself, is the natural focal point of this extraordinary space.

But all around, playful installations and brash canvases tease the attention away: there is Robert Morris's horribly claustrophobic "Labyrinth"; Carl Andre's reef of orange styrofoam blocks; Robert Rauschenberg's chaotic collage "Barge"; Donald Judd's brightly polished solid copper steps.

There is, too, an unexpectedly poignant moment: the contrast between Andy Warhol's bruise-coloured "One hundred and fifty Multi-coloured Marilyns", one of the museum's key acquisitions,

and his "Sixty-three White Mona Lisas" from the same year, 1979, bleached and defaced, as if all of Pop Art's energy and vitality had first been violently pummelled and then drained away. Next to this is hung Robert Rymann's trilogy of near-white canvases "Surface Veil", prompting an unlikely connection between the repetitiveness beloved of Pop artists and the cool Minimalism from which it is normally contrasted.

Minimalism is the key to another outstanding room on the gallery's second floor, the two long curves of which suggest the bow of a ship. Here, the soft tones of Agnes Martin and Bruce Marden, Andre's "Aluminium Lock", splitting the room in two, and Robert Mangold's discordant circle paintings are delicately complemented by the afternoon's blue-hued natural light to create an exquisitely serene space.

Once this backward-looking exhibition is disassembled, the museum plans to concentrate on art of the latter half of the century, which is apposite: it is one of the few spaces which can house without intimidation some of today's massive and weighty installations. "The gallery was shaped by the art that already existed," says Krens.

It is the kind of work which may not attract the largest crowds, but Gehry's building will surely take care of that. Once this accolade has been slowed to a trickle, however, the museum

has one more bite at raising its profile: it is still determined to put on show Picasso's "Guernica", an event of huge politico-cultural significance for the Basque people (Guernica is a Basque town).

At present, the Reina Sofia gallery is holding out on the loan, claiming the painting is too fragile to be transported. Krens is confident he will achieve his goal, promising "the safest movement of a work of art that has ever taken place in history"; but he also concedes that its presence at the museum's opening may have proved an unwelcome distraction.

In the meantime, lavish attention will rightly continue to focus on the museum itself. Gehry's magnificently eccentric structure has some elements in common with other late 20th century buildings, chiefly in its wit (the long section which leads to the Salve bridge resembles the insolent flick of a mermaid's tail) and mixture of styles.

But this is no feeble postmodern pastiche. The building of the Guggenheim Bilbao is explicitly related to the regeneration of the city, to political identity and regional self-respect. In this, its aspirations fit comfortably into the forward-looking modernist agenda which many had thought defunct. With a day to go before its opening to the public, its cultural importance has already been secured.

Radio/Martin Hoyle

## Bites, bards and the Celtic fringe

From bland utterances of utmost fatuity to the *cri de coeur* of the cornered, radio provides a world of soundbites. Which is of course intrinsic to the medium, though recently television has proved a fascinating backdrop.

Take Frank Dobson, a minister for health ordering us not to visit casualty wards when drunk. Remember that when making your advance appointments for emergencies, accidents and disasters. And remember when knocked down, falling into a canal or scalding yourself, to have a lie down to sober up, just in case, before venturing to hospital. On radio the commandment sounded merely idiotic. On television one saw the sheepish look in Dobson's eye; at least he knew he was sounding stupid.

Sound bite number two: the prime minister, Tony Blair, declaring his handshake with Gerry Adams (albeit nervously executed, if the IRA will excuse my appropriation of their special word, behind closed doors) an example of treating the Sinn Féin leader as he would any human being. The dazzling intellectual and moral sophistication that distinguishes between hypothetical killers and victims, saints and sinners, good and

evil, seems beyond him. Blair's Cheshire Cat grin would be as unwavering with Sadat Hussein as with Mother Teresa. The beam seems fixed to his face, to sometimes mad effect, what over the concern, seriousness or gravity on the rest of his face; like Max Beerbohm's Happy Hypocrite who had the mask torn away only to find the angelic features imprinted beneath. But then who could be happier than a campaigner for one party who adopts wholesale the policies already evolved by another? And who more hypocritical?

Which brings us to the third sound bite: the mockery, turning to hysterical screaming, of Anna Cox. The girl involved in the resignation of Piers Merchant MP attacking the hacks outside her home exerted a strange fascination for Tuesday's *PM*. They want to the story twice, the second time for an eye-witness account of her being led, "doubbling up and looking quite tearful", into

an ambulance after her "extraordinary" outburst (perfectly normal, it seems to anyone with the least insight into human emotions). The female reporter's tones were as disdainful as her adjectives allowed. The programme interviewed the editor of a particular rag that had kept its nose to this world-shaking story; she defended herself with talk of "dewy", always a hilarious word in the mouths of tabloid editors, even when they know how to pronounce it.

PM is that nest of incompetents that misidentifies the subjects of its interviews, but Tuesday marked a new step in its tabloidisation. The presenter recapped the closing headlines "in case you wondered what that was about". I assume he was referring to the whole tawdry programme. I did.

The lovable Celt has been much with us, even apart from Gerry Adams. In the audio-diary series *Taking the*

Plunge, Christina and her partner Sebastian renounced their "cosmopolitan life in Edinburgh" (where did they find it? I thought you had to go to Glasgow for a cosmopolitan life) to start a duck farm. They haven't quite done it yet, and their resolve to live off the land is handicapped by Christina's unwillingness to shoot rabbits when they look at her. And this is purely for food, of course, not pleasure, though there was a moment when Sebastian, explaining the art of stalking and hunting to her, almost sounded as if one could take a pride in the craft. Perish the un-p.c. thought!

Christina recalled her childhood horror at a battery duckling farm and her love of living creatures, starting with spiders - "I would grab them and let them crawl all over me". Her courtship with Sebastian was not dwelt on. They sounded a nice young couple who deserve the fulfilment of their dream.

Radio 3's *Postscript* slot was filled each night - delightful idea - with a contemporary poet's fan letter to a bard from the past. Tom Paulin to John Clare (Monday) showed where the Irish poet's wide-eyed mock innocence comes from: his family aristocratic common sense disguised as naive humility is the sole reason for watching TV's late-night arts programme. Kathleen James's epistle addressed to Robert Burns (Tuesday) ended with a predictable P.S. about how the "Scots wha hae" voted.

On Wednesday I was distracted by Radio 4's Irish night. *From Glen to Glen* dealt with the Leslies, actually of Scots lineage though not James VI's plantation owners, in a stately home complete with ghosts and ancestral black sheep. *North and South - Travels along the Irish Border* actually struck a warning note for the programme on Channel 4 that I subsequently watched. The reference to lands taken from rightful owners would be echoed in *Witness*, an investigation into the IRA and anti-semitism - of which more next week when, in Chris Dunkley's absence, I write about the junior service. In the meantime, here's your starter for ten: when was the last anti-Jewish pogrom in the British Isles? In medieval York, wasn't it? No, in Limerick in 1904.

It was the misfortune of William Alwyn (1906-85) never to see his opera *Miss Julie* professionally staged. Judging by its belated UK premiere at the Theatre Royal, Norwich, on Wednesday, this is as much our loss as his: the opera is so compact, well-crafted and audience-friendly that, with the right encouragement, he could have gone on to greater things. Instead, Alwyn died in relative obscurity, having witnessed a BBC broadcast of *Miss Julie* and a commercial recording with the same cast.

*Miss Julie* has many of the ingredients of a successful opera - but it falls short in important respects, which the Norwich staging failed to obscure. In musicking Strindberg's play about power, sex and class in a nobleman's house, Alwyn somehow managed to deprive it of its symbolic resonance. He dispenses with the fantastical peasants' chorus - one of the most naturally operatic ingredients of the play - and invents the joutish gamekeeper Ulrik, who adds nothing to the embroglio between the daughter of the house and her downstairs partners.

The result is a kitchen drama: Alwyn's music fails to articulate the repressions and psychological torture crucial to the plot. Worse, it

## Opera Kitchen drama

offers no grounds for sympathy with the heroine as she prepares to commit suicide.

That final scene should be the cue for one of opera's genuinely tragic moments. Instead, it points up the fact that Alwyn's musical personality, with its suave Romantic overtones, is fundamentally ill-matched to such a claustrophobically anti-feminist subject.

Instead of ramming home the modernity of Strindberg's subject-matter, Alwyn's infectious waltz-rhythms merely date it. He also refuses to take advantage of opera's capacity to stand back and listen to the interior drama. And yet what we hear has the stamp of an original craftsman - no more so than in the cascading string figures at the start of Act 2. The score is a marvel of bitter-sweet lyricism, precise instrumental effects and chameleon-like construction - evidence of Alwyn's scene-painting experience as a film composer.

Nicholas Cleobury and the Britten Sinfonia make the strongest possible case for Alwyn's practical musicianship: the sounds emanating from the pit always engaged the ear and echoed the words. But the staging by Benjamin Luxon and Peter Wilson did not go far enough. Andrew Leigh's set, a finely-detailed period kitchen cut away at the top to reveal an abstract forest backdrop, failed to chart the changing psychological balance of the drama; the characters remained two-dimensional.

Nevertheless, the Theatre Royal deserves credit for taking on the challenge and finding the right cast. With her hard but brittle soprano, Judith Howarth makes a convincing Julie; here indeed is the spilt rich girl who mistakenly thinks she can boss *and* bed the servants. Karl Daymond's Jean confirms his growing promise. His voice has the projection, sensitivity and masculine timbre of the young Thomas Allen, and for all his boyish looks, he gradually takes hold of the performance. Ian Caley offers a useful cameo as Ulrik, while Fiona Kinnaird's Kristin compensates for her old-womanish appearance with exemplary diction. There is one further performance tonight.

Andrew Clark

مكتبة النور



MOTURING / SPORT

# London Motor Show / Stuart Marshall

## Getting better all the time

Slowly but surely the London Motor Show is regaining its status. It was a shock when the organisers, the Society of Motor Manufacturers and Traders, abandoned Earls Court in 1978 and made what had always been an annual London show into a Birmingham biennial.

It may stick in the Birmingham throat, but not many motor show goers - and especially motor traders - actually want to go to Birmingham unless they live nearby. They prefer London. Earls Court may have been poky compared with the National Exhibition Centre, but it is close to the capital's fleshpots. So, after the show's flight to Birmingham - and in spite of strong initial opposition from the SMMT - a rival Earls Court

Motorfair was arranged for the years in between the big Birmingham event.

Earls Court, which had become rather dingy, was given a lick of paint. A new hall was built over adjoining railway tracks and the three commissioners were taught not to frighten the punters. The London Motor Show was reborn and the SMMT approved.

For sheer size, London's show does not begin to match Frankfurt's or Tokyo's. Even Paris, which almost clashes with the Birmingham event, is larger. Size, though, can be counter-productive. It would be unrealistic to attempt to see everything at Frankfurt, Tokyo or Paris in a single day. But it is easy to do so at the prestigious, but far smaller, Geneva Show, held in early March.

I rate London's as almost on a par with Geneva's, with one reservation. Very few new cars make a world debut at Earls Court because they have been presented already at Geneva or Frankfurt.

But for Britain's car-buyers and motoring enthusiasts this is irrelevant. At Earls Court, they will be

able to sit in all the new models they have only read about. Among the exhibits that the crowds, who will pour into Earls Court this weekend and all next week, will be keenest to inspect are the Citroën Xsara, Mercedes-Benz A-Class, Land Rover Freelander, Vauxhall (Opel) Astra and Volkswagen Golf.

Xsara (you say it Zara) has replaced the ZX. It will compete with the Golf, Astra and the next Ford Escort, which is many months off. Xsara appears in British showrooms next month; Golf and Astra arrive in early 1998. Strong competition between manufacturers has made these lower/medium sector cars better in every way than their predecessors. And, when all the extra standard equipment is taken into account, they are keener value for money, too.

Well worth a close look is the Skoda Octavia, making its British debut at Earls Court and due to go on sale in the UK next year. Mechanically, it is mostly Audi A3. It looks like a VW Passat but is expected to be much cheaper.

The Mercedes A-Class took

the motoring world by storm last spring. It is only supermini-sized, but has the interior space of a G-class saloon. In build quality and mechanical integrity, it is a true Mercedes. British prices next year will start at about £14,000. This is very cheap for a Mercedes, although not when compared with the Escorts, Astras and Golfs most buyers are expected to have owned before.

Most interesting British-made car at Earls Court is the Land Rover Freelander, a fashion 4x4 with, it is said, far more off-road capability than 90 per cent of buyers will ever dream of using. Other all-wheel driven cars making their UK debut are the Seangyoung Korando, a stylish three-door tough enough to be used by the South Korean army; a range of Mitsubishi Shoguns, updated for 1998; and the Subaru Forester, for users who really need four-wheel drive traction to deal with snow or mud now and again but prefer an otherwise normal estate car.

The Dutch-built Mitsubishi Carisma 1.8 GDI is the first car sold in Europe to be powered by a direct injection petrol engine - the fuel is delivered straight into the cylinders as it is in the latest diesel engines. Practical tests have proved the Carisma GDI to be 20 per cent more economical than with normal multi-point petrol injection.

Another innovative exhibit on the Daihatsu stand is the Cuore TR-KX Avanzato R4. This 3.3m (10ft 10in) long micro-GTI has a turbocharged and intercooled 659cc four cylinder engine delivering 64 horsepower, four-wheel drive, speed-sensitive power steering and air-conditioning. Just the thing for an impatient urban commuter who must be at the front of every traffic queue.

The London Motor Show opens every day at 9.30am until Sunday October 26.



China, Tibet, Pakistan, Iran, Greece; the pink Rolls-Royce rumbles on

Montage: Philip Thompson

### Beijing to Paris Motor Challenge

## If it's Saturday, it should be Paris

Richard Donkin joins the journey's end and finds that a 'can-do' philosophy is what singles out the rally's participants

The man in the Avis office at Paris went visibly pale and rolled his eyes towards the ceiling. I thought he was shocked at the state of the mud-coated hire car. But no, it was something else. The light fittings were swaying and so was the floor. "Earthquake," he said. "It's a big one."

A woman beside him stretched out her palms and rubbed them from side to side to demonstrate the movement of tectonic plates, as if I were a student who needed an impromptu introduction to geophysics.

A panopticoned in the corner. Believed the quake was no more than a tremor lasting less than a minute - there are more romantic places to end your days than a car hire office in a Greek port - I rejoined the 80 or so vintage and classic cars at the dockside only to find that the ferry was late because an Albanian had jumped overboard.

It had been that kind of a day. There is something of the surreal about the Beijing to Paris motor challenge. A few hours earlier, I had been wedged into a tiny Nissan Micra climbing a winding mountain pass, a Rolls-Royce Silver Dawn in front

and an Aston Martin DB5 behind.

The fragrance of the pine forests was a welcome change from the stale smell that wafted across from stubble burning in the tobacco fields.

Gate-crashing a classic motor rally was had form, but it was even worse for the hitch-hiker beside me. Lord Montagu of Beaulieu - founder of England's National Motor Museum, a piece of living motoring history - whose father had overseen the original number plate Bill in Parliament, had begun the event five weeks earlier in a 1915 Prince Henry Vauxhall which broke down soon after the start. It had come to this, ceding a lift in a 1997 Micra, powered by Avis. Even worse, for some reason the manufacturer had printed "Jive" in Day-Glo letters on the door.

Still, you had to admire his style as we stopped on a high mountain pass and he rang home on the satellite telephone to ask his wife if the grapes had been picked in his vineyard. His tenacity was admirable, too.

His car was still in China when radiator problems left the 72-year-old car on option but to ship it home, choosing to beg any lifts he could for

the rest of the 10,000-mile journey. He transferred his bags from a Rolls-Royce Phantom, which had been used by the Queen on state visits to Australia. The Micra was quite a comedown.

Lord Montagu's determination to stay with the race typifies the spirit which has driven competitors to defy the organisers' prediction of a 75 per cent fall-out rate from the original field of more than 80 cars. Some, like Maltese businessman David Arrigo and Willie Caruana, who are driving a crimson 1948 Allard M-types, have gone missing for days before rejoining the event after arduous overnight drives to catch up.

They did not make many of the M-types and you can see why. Arrigo almost runs out of fingers as he tries to list the mishaps. "But we'll get there. If necessary, we'll truck it into Paris." His co-driver Caruana, a Maltese hotelier, has a sedan chair in his private museum at home. It might have come in handy.

"All the people here are successful people and they have taken this on in the same way as they have done other things in their lives. They are determined to finish. This is what this event

is all about - determination," he says.

As Caruana points out, most of his fellow competitors are not short of a brass barthing. One driver, David Cohen, a Canadian who has his mining interests, had entered a 1930 Stutz which had travelled just 60 miles since a \$750,000 restoration.

Most are what Philip Young, the rally organiser, calls "confirmed petrol heads" - prepared to push their lovingly restored motors to the limits of mechanical endurance and sometimes beyond.

John Sturtard, the chairman of Coopers & Lybrand China, drives the sort of car the man who broke the bank at Monte Carlo would have used to take away his dosh. Built when the sun never set on the British Empire, his 1934 Rolls-Royce 20/25, with running boards and dished wheels, is tall enough for a top hat and as graceful as a Fred Astaire shuttle.

But its aluminium frame, painted in the FT pink of one of its sponsors, bears some ugly dents collected along the journey - although the engine itself is running smoothly.

Sturtard says: "It's been a very tough event but we've got a reliable car. You just keep it topped up with oil and petrol and water in the radiator and you can drive it forever." As other competitors struggle to maintain their engines, brakes, wheels and the 101 other things that go wrong after every day of the route, Sturtard parks his pink Rolls-Royce and goes off to dinner.

Although it is the Bugatti, the Bentleys and the Rolls-Royces that grab most of the attention, some of the real heroes of the rally have been the utility cars - the Cortina, Anglia Estate, Triumph Vitesse and Morris Minor. Not all, however, are what they seem. The classic lines of the big Rover 3.5 P5B coupe hide a toughened, rally-prepared interior.

Instead of four shock absorbers, it has eight. Jonathan Lux, a London solicitor, bought it especially for the event and it may well have won had it not been effectively disbarred from the competitive section because of the temporary absence, through illness, of David Grew, its co-driver, a garage proprietor who spent 600 hours preparing it.

"In 20 years of marriage it's the only thing that has come between me and my wife," says Grew, whose selflessness dispensing mechanical help and advice to fellow competitors epitomises the spirit of the event.

Some of the cars can top 100mph, but few would be surprised to find that, as the ferry disgorged the survivors at the Italian port of Ancona for the final stages, a second world war Willys Jeep was in the lead. "It only goes 60mph but this is a marathon," says Phil Surtees, its

In 20 years of marriage it's the only thing that has come between me and my wife

It broke down early on and he shipped it home. Now he has reappeared with an 8-litre Bentley. All the vintage cars are special, but the Stutz and the Bentley are something else. They are concourse cars in showroom condition.

### Football

## Cultural revolution

Peter Aspden puzzles over football shirts sporting philosophy quotes

Top football clubs have received much bad publicity for producing new replica kits at too-frequent intervals and charging unrealistically high prices for them; but that is but one thread in soccer's sartorial revolution. At the other end of the spectrum, "declaring war on the twin evils of Br-Nylon and tacky sponsors' logos", there is Philosophy Football.

This mail order firm is thriving, selling football shirts adorned not with club crests or company advertising, but with the thoughts of some of the greatest minds in history.

There is Wittgenstein: "Imagine people playing football, kicking the ball in the air, chasing, fouling each other. Is there not the case to make up the rules as we go along?" Gramsci: "Football is a model of individualistic society. It demands initiative, competition and conflict. But it is regulated by the unwritten rule of fair play"; and that famous goalkeeper Albert Camus: "All

place pleasure of "going to the match". In its place is the complex, multi-layered, irony-shrouded, mad-dad-driven experience that is football today: post-fandom.

"There has been a huge change in the past 10 years alone," says Redhead. "We have a minister of sport who defines himself as a fan, whose kudos as a politician is actually reinforced by his authenticity as a fan. But, in turn, ordinary fans are much more aware of the media games that are being played by such figures."

Spectators now are aware that they are being sold the game in some way. The experience of watching satellite television in a pub because you cannot afford to go to a top class game is very different from going to

the stadium - you are not experiencing the event directly at all, it is all mediated in some way."

Redhead admits that football offers a more wholesome spectacle today, and that the calls for a return to the traditional male working class culture of watching football are misplaced nostalgia. At the same time, he says something has been lost: "I feel ambivalent about it. There has been progress - facilities at grounds are better - and people should not pour scorn on that. But the cutting out of a whole section of traditional fans has resulted in a loss of some of the passion."

"It is a little like the political parties in a post-ideological age. It has become very hard to attach any idea of passion, commitment or

enthusiasm to politics today. To some extent, it is just part of modernity, and it has happened to football, too."

Redhead is critical of media reporting of issues such as hooliganism (we talked the day before the violence of the Italy-England game), which he says merely follows its own agenda. "Sometimes it is over-played, such as in the build-up to Euro '96, sometimes it is under-played - there are still gang fights in city centres on a Saturday night which are scarcely reported. It is very hard to get a sense of what is really happening."

"There is a lot of misinformation. But those who are out to cause trouble are cleverer than the intelligence services, and have been for some time."

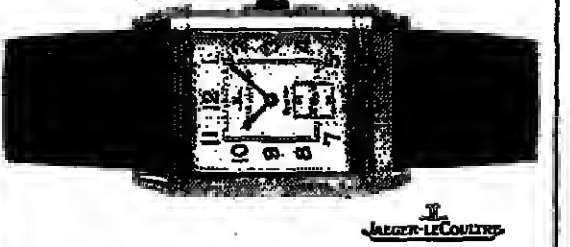
Nevertheless, the difference in atmosphere between the late 1980s following the Heysel tragedy and today is palpable. He says that Italia '90 was the turning point in British football culture: there was the appropriation of the Italian concept of how to spectate (non-violent, more women, cool), the Favara phenomenon ("a powerful symbol of the breaking down of barriers") and even a good England World Cup song (New Order's "World in Motion"). "Suddenly football wasn't naff."

But no one, surely, could have predicted philosophy football T-shirts? "There has always been an ironic sensibility in football, it hasn't just been invented. But to have spotted a commercial opportunity in that irony is extraordinary. It has all gone a little crazy."

\*Post-Fandom and the Millennial Blues: The Transformation of Soccer Culture by Steve Redhead, Routledge, £14.99. Philosophy Football T-shirts available from PO Box 10694, London N15 6XA.

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# How to Spend It

Fashion

## Hard to see the frills for the froth

Brenda Polan finds three Britons' shows in Paris are as much about media manipulation as design

The excitement in Paris this week has all been about three August but faded fashion houses and the three young Britons who have been given the responsibility of putting the colour back in their cheeks.

John Galiano was the first recruit. Fey, funny by nature, driven by a romantic imagination and a passion for perfection, he was initially given the big job at Givenchy, then, after only a year, Bernard Arnault, chief executive of Louis Vuitton Moët Hennessey, parent company of both houses, moved him to Dior.

His place at Givenchy was taken by Alexander McQueen, outspoken, foul-mouthed and the master of modern, aggressive tailoring. McQueen is nearly a decade younger than Galiano and their styles, their perceptions of female beauty, are polar opposites.

That Galiano should be trusted with the image and reputation of a great couture house seemed appropriate: McQueen was a far riskier proposition.

The third member of the trio is 25-year-old Stella McCartney, the youngest daughter of Paul and Linda and a 1995 graduate of St Martins College of Art, alma mater to both Galiano and McQueen.

When Karl Lagerfeld announced that he was not renewing his contract with Chloe, McCartney was the surprise appointment to replace him. Her youth and inexperience occasioned widespread speculation that this was a public relations appointment, designed to borrow glamour from a name which still represents a kind of rock-royalty.

On Wednesday, in the grandiose surroundings of the Paris Opera Garnier, she presented her first collection for the rich but decidedly off-the-beat fashion house. In contrast to recent seasons, when invitations to the Chloe show were easy to come by and largely uncoveted, everyone wanted one this week and, as is the way



Anber Voletta in red frills evening dress by John Galiano

of the market, they were capriciously rationed.

Linda and Paul McCartney were in the front row with Ringo Starr and his wife Barbara Bach and an assortment of other celebrities such as Kylie Minogue and Meg Matthews, free-spirited girlfriend of Noel Gallagher, of rock band Oasis. Several hundred photographers and television cameramen mobbed them as soon as the appointment of Stella McCartney was a PR ploy, it

worked. Thanks to those pictures, Chloe is a name once more on everyone's lips.

On everyone's little gilt chair in the rococo upper salons of the Opera Garnier, was a large facon of Chloe's new scent launched in the spring, before the appointment of McCartney was announced. It is called Innocence, as was the first section of McCartney's show – a parade of little white cotton nothings, all pie-crust frills, pin tucks, fagoting, delicate tone-on-tone embro-



Kate Moss in strapless silver mini dress by Stella McCartney for Chloe

dory and drawstring gathers. It was the ingénue taking on the ubiquitous lingerie look done first by Galiano in bias-cut satin and Calais lace, and it set the mood of useful simplicity for the rest of the collection.

This included understated 1940s silk dresses, some undisturbed, plain tailored linen jackets, some of which were floor length, and flat-fronted trousers (always teamed with a frilly, filmy, hardly-there blouse) and corseted evening dresses in pastel striped taffeta.

This was a debut collection which offered little in the way of creative originality, but which restored Chloe's long-lost image as the pretty fashion label and, more importantly, re-enforced the mood of the new

sent. If the stock rooms of the great perfumery departments throughout the world are not piled to the rafters with boxes of Innocence, they should be.

Grown-up women with the money to pay Chloe's prices may not be seduced by all this girlish finery. But even they, enchanted by the freshness of the look, seduced by the clamour of the coverage of the show, and sensing the significance that that conveys, will want to try it.

Which is what the torture of this 10-day series of Paris shows is all about. As the world's fashion press scrambles from one under-sized venue in an obscure, uncharted part of the city to another, there to face bullying security men, artificially induced mob panic and

generalised hostility, there is only one conclusion to be reached: we are a cynically manipulated, under-paid branch of the marketing department of the perfume industry.

For, increasingly, we are being called upon to witness spectacle (Galiano), provocation (McQueen) or celebrity studied news story (McCartney).

This is not about the best clothes the best designers can produce; it is instead about the bottom line of a huge, wealthy, global clothes and accessories industry. Fashion has been hijacked by an industry which was once its modest, supportive, paid companion. What was once the dowdy cousin has been offered the shelter of fashion's mansion and has

taken it over – only letting the host out to perform periodic party tricks.

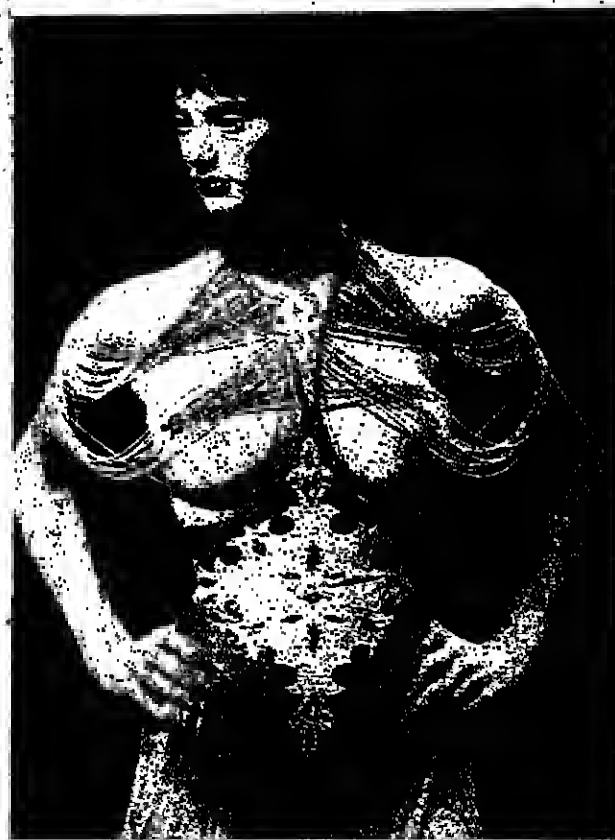
Thus Dior spent huge sums knocking down a wall and transforming two spaces under the Louvre Museum into a fragmented 18th century *Hotel Particulier*, furnished with antiques and Belle Epoque objects for Galiano's second ready-to-wear show for the house.

There were a handful of ill-considered day-wear outfits, and then a parade of stunning evening dresses which developed Galiano's lingerie theme and moved on to breathtaking luxury, glittery glamour and semi-transparent sensuality.

As actress Nicole Kidman, remarked: "I don't know much about fashion, but these looked more like cou-



Helena Christensen in taffeta bodice and silk skirt by McCartney



Honor Fraser in sheer dress with corset by Alexander McQueen

ture clothes than ready-to-wear to me." And they will be priced like couture clothes too. In the many thousands.

And at Givenchy, where Alexander McQueen is quite open about the pleasure he takes in making it difficult for people to see his shows, the collection was a garishly exuberant cocktail of Dolly Parton's loud period, the *Follies Bergères* and *Dynasty* done to excess.

His befringed, diamonds dotted, patent leather trimmed, body-flaunting collection could be construed as a bid to recruit the heretofore customers of the late Gianni Versace. For these were clothes only rock-chicks, footballers' wives and exhibitionists with fat trust funds could love.

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مكتبات الصحف



# HOW TO SPEND IT

## Taking the stuffing out of the shirt

Stephen Ferns explores the new generation of less formal, more flexible members' clubs

**T**he most often quoted of all Groucho Marx's great lines is the one about not wanting to belong to any club that would have him as a member. Wanting to belong is a natural human instinct, as is the desire to socialise - especially with those of a like mind. Being isolated is no fun, especially in a big city. Lonely people even die sooner, so being one of a crowd has advantages way beyond membership privileges.

Women are still not allowed to join "gentlemen's" clubs such as the Royal Automobile Club or the Garrick, presumably for fear they would clutter up the place with their knitting or cause trouser commotions among older gents by sucking lasciviously on a stogie the size of a baby's arm.

Incidentally, anyone with a penchant for cigars should check out the Havana Club, next door to Monte's at 165 Sloane Street, London SW1. It offers members a choice of more than 20,000 cigars.

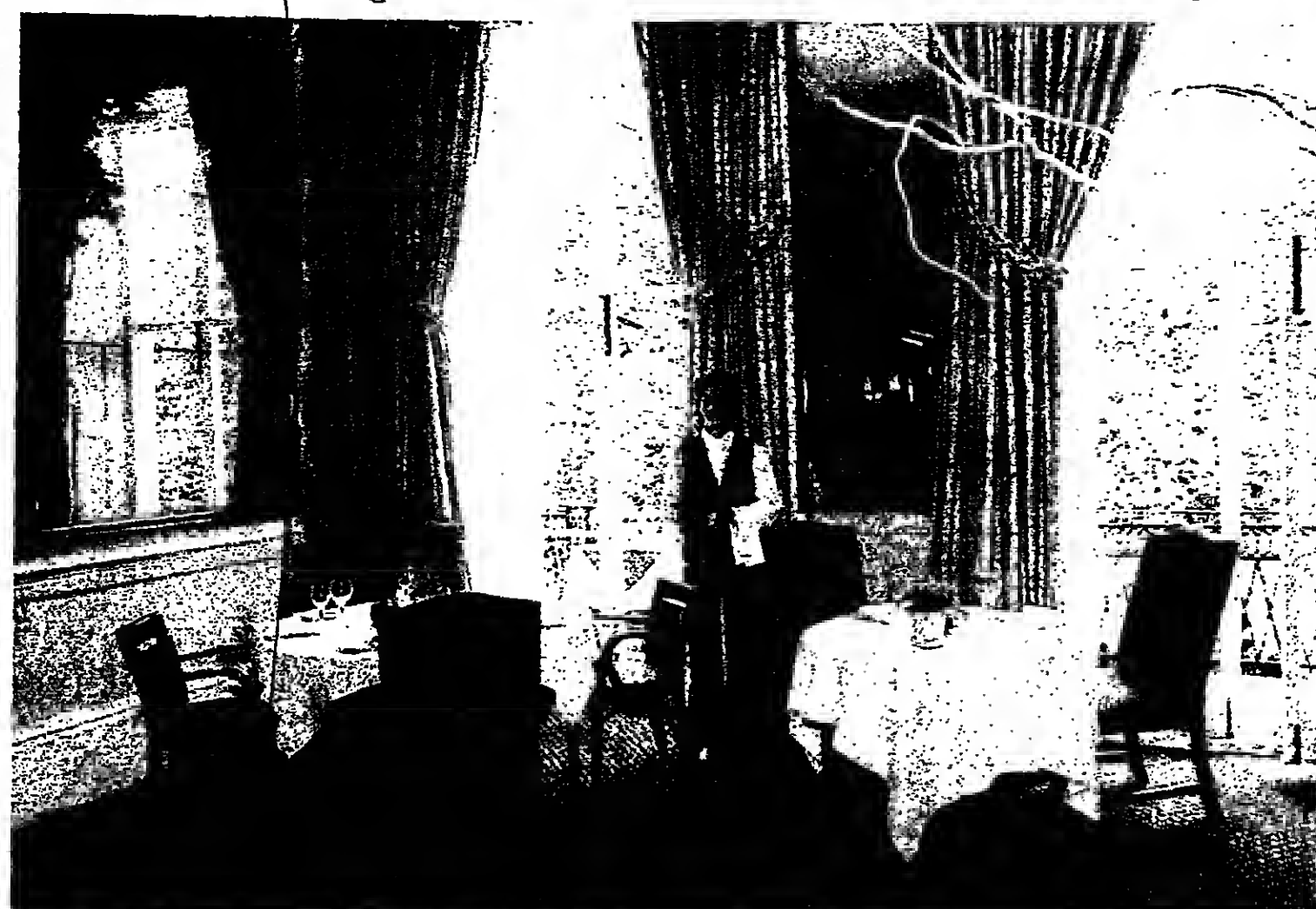
Today, there is a new breed of social establishments from which you won't be chivvied along to your fleapit at 11pm (of course, if you're fortunate enough to live in Scotland, late-night drinking is the norm), sexes are treated equally and single women can enjoy a quiet drink without being accosted by drunken sleazebags.

All have restaurants, several have bedrooms and many offer reciprocal memberships at clubs worldwide.

Some, such as the Atlantic near Piccadilly Circus or the Met Bar at the Metropolitan Hotel just off Park Lane, are not clubs in the strictest sense, but bars into which you may be admitted without charge if, and only if, the keepers of the velvet rope deem your face and general ensemble to be suitable.

What you know is irrelevant. If you are unconnected, social Siberia beckons. Blacks in Soho has a fine reputation among those who know it, but its telephone number is its directory. Similarly Green Street, a hangout for ad people and actors, is "not interested" in you knowing about it via such a low-rent route as the humble FT. Word of mouth is king, so long as it's the right words from the right mouths.

It's a curiosity of the human condition that deems the mysterious and unobtainable to be the ultimate in desirability. There is nothing mysterious, however, about The Cobden Club in west Lon-



Upper echelons: Morton's in Berkeley Square is actively seeking an under-30s clientele

don. It boasts a cavernous bar festooned with socks, huge mirrors and swathe of crimson velvet, and a very tasty restaurant. The club has a footy team, which regularly thrashes the Croncho, and there are literary readings every Tuesday evening with the likes of Nicholas Colegrave, Charlie Higson and Half Kureishi. You can even learn to salsa.

Any old Joe can sign up if they know a couple of members, or just one of the committee members, a list of whom is thoughtfully provided with membership inquiries. Although how you'd track down Kate Moss or Malcolm McLaren to ave them sign your form is a mystery.

"I think members' clubs will be the community of the future," says Lori Lach-Keller, head of press at the Institute of Contemporary Arts (ICA) on The Mall the best value option for an after-hours tittle in the capital. "I was at Soho House the other night and it seemed that individual - even women alone - could drop in knowing they would meet someone they knew."

But I bet they don't know their neighbours.

Soho House has only been around since 1994. It's cosy, full of actors and media people, serves delicious oosh, and has a couple of bars and a screening room for movie previews. "We give people what they want,"

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says managing director Nick Jones, "good food, a good atmosphere and we're open until 3am."

If this sounds like the place for you, think again. Membership has been closed for six months and is likely to remain that way. Perhaps the problem with clubs that attract a younger crowd is members tend not to die

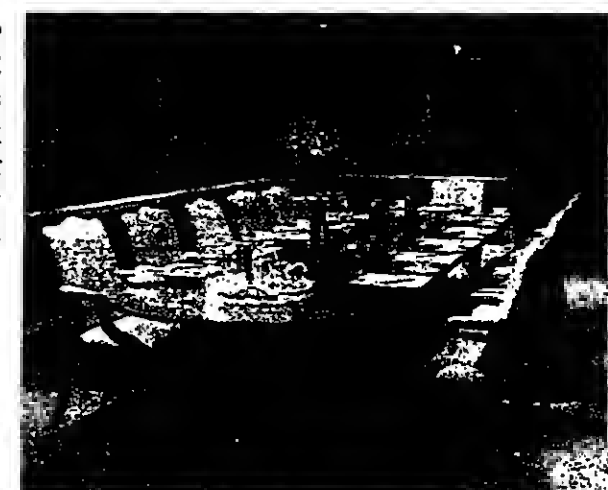
with sufficient frequency to accommodate a fresh intake.

One London club actively seeking a sub-30 clientele is Morton's in Berkeley Square. Established in the 1970s by Peter Morton, co-founder of the Hard Rock cafes, it's just had a refurbishment.

"Traditionally, our members have come from the upper echelons of the rock business, but we also have property developers, oil barons and senior ad men," says marketing director Rory Keegan.

Reciprocal discounts already exist at the Feathers hotel in Woodstock, near Oxford, and Bishops Row House, in Westminster, Wiltshire - both outposts of the Morton empire. More will follow. Anyone under 30 can join for £195 a year, plus a £100 joining fee. "Pretty girls never knowingly refused," says Keegan.

For those who don't live in London, but visit regularly, being a member of the St James's Club or the Sloane Club is a solution to the impersonal aspects of a hotel. At the St James's Club, for example, members can order a full meal in the restaurant 24 hours a day, or



The top table at the Sloane Club

sit down to a five-course dinner with 30 friends at midnight. Reciprocal memberships operate at 530 other clubs worldwide, including the Stock Exchange and Athletic clubs in New York. Neither, however, is the place to let your hair down.

"It seems to be a London thing," says Steve Astbury, sales manager in the north for Laurent-Perrier. "If I wanted a bottle of champagne in a convivial atmosphere without it being a

disco full of kids or a stuffed-shirt gentlemen's club, I couldn't. In the main, these places just don't exist."

Fortunately, there are a few exceptions. The Office behind St Paul's Square in Birmingham opened last month. It's on five levels in a listed building atop the Oceanic restaurant. In January, a spa will be added and by next summer it will also boast a swimming pool, gym, conference facilities and 10 bedrooms.



Bon viveurs of 35-plus go to Monte's in Sloane Street

### The members' clubs

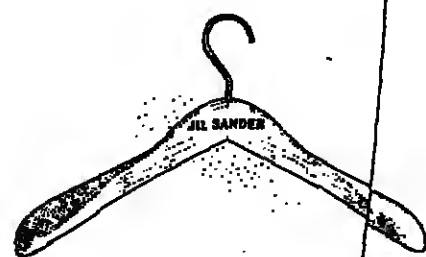
- LONDON**
- The Cobden Club, W10: 0181-960 4222. Membership £260 pa plus £150 joining fee. Bedrooms: no. Crowd: media, music, arts, 25-plus.
  - Morton's W1: 0171-499 0363. Membership from £195 pa plus £100 ff. Bedrooms: no. Crowd: music biz, advertising, oil, property, 30-plus.
  - Monte's SW1: 0171-245 0896. Standard membership £500 pa plus £250 ff. Bedrooms: no. Crowd: wealthy bon viveurs, 35-plus.
  - Met Bar at the Metropolitan Hotel, W1: 0171-447 5757. Membership free, waiting list of indefinite duration unless you know the right people. Bedrooms: yes (in the hotel). Crowd: rubber-necks, 25-plus.
  - ICA, SW1: 0171-530 0493. Membership from £25 pa. Bedrooms: no. Crowd: arty but not farly, 20-plus.
  - The Sloane Club, SW1: 0171-730 8131. Full individual membership £300 pa plus £100 ff. Bedrooms: 144. Crowd: traditional, visiting Country Life readers, 40-plus.
  - St James's Club, SW1: 0171-629 7688. Membership £300 pa plus £150 ff (both plus VAT). Bedrooms: 60. Crowd: invisible, 40-plus.
- ALSO:**
- Green Street, W1: 0171-493 2038; Soho House, W1: 0171-734 5188; Atlantic Bar and Grill, W1: 0171-734 4888.
- MANCHESTER:**
- Mash: 0161-661 1111; and Air: 0161-661 6161.
- BIRMINGHAM:**
- The Office: 0121-236 7500. Membership £25 pcm plus £150 ff. Bedrooms: 10 from summer 1998. Crowd: too early to tell.

If you are in Manchester, pop in to Mash and Air on Chorlton Street. A sister to the Atlantic and Coast in London, the bar at Mash is open to the chosco few until 2am Friday and Saturday, 1am on Thursday.

It's a chic version of the chicken and egg scenario (quail and egg, perhaps) - you want to get to know new people, so you decide to join a members' club, but you have to know members in order to join.

One alternative is learning to lie with style. Marie Claire recently reported how one of their writers posed as American actor Jason Patric's girlfriend in order to bag a table for dinner at both the Groucho and Soho House. It worked a treat at Soho House, but cut no ice at all with the Groucho. There is, however, always one last recourse for the socially disenfranchised, and it's how most clubs were born - start your own.

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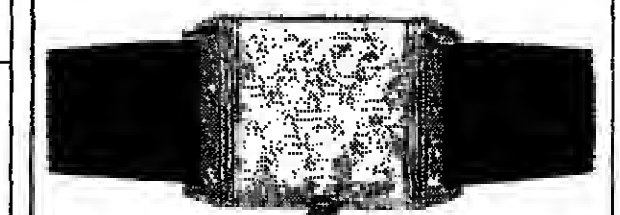
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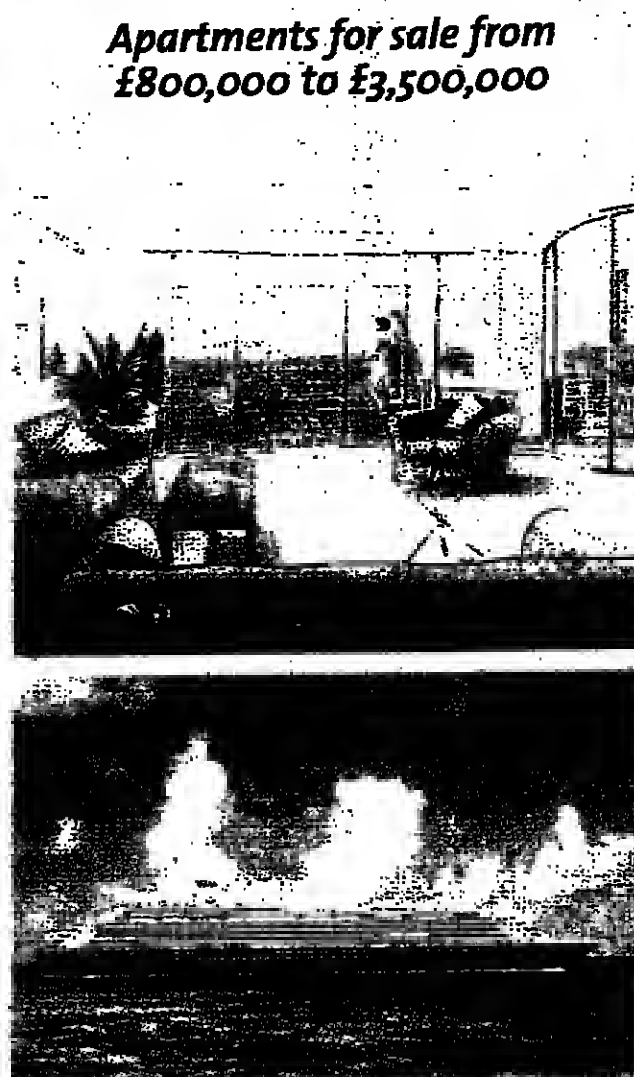
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PROPERTY

# Cyprus stages a comeback

Gerald Cadogan finds the living, and buying, is easy

The British are back in the market for holiday homes, chorus estate agents and property developers in Cyprus. They are delighted, since demand has slowed in the Cypriot domestic market. This reflects a quieter phase in the island's economy, says chartered surveyor Antony Loizou.

Annual growth has dropped to about 2.5 per cent, which a few years ago looked set at a dizzy 5 per cent, with tourism rising 10 to 15 per cent annually. Now tourist receipts are static.

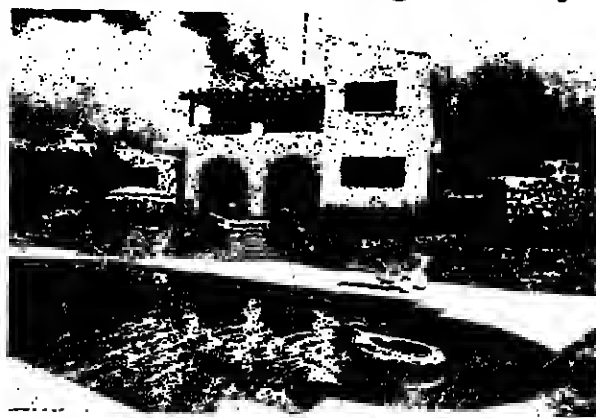
"Our problem is we're spoilt," says Loizou. "We're used to fast economic growth." One side-effect is that it is a good time to buy a house or flat. Conditions are ideal for UK buyers turning pounds sterling into Cypriot pounds, and in today's British market, selling a home to buy a property in Cyprus should leave plenty to bank.

The Russians are also coming - enough to warrant their own school in Limassol. They benefit from "a favourable tax treaty, from 20 years ago when nobody expected freedom of movement or the collapse of the Soviet Union," says Loizou.

There are also buyers from other European Union countries, Arabs, and some Israelis, attracted by the ease of offshore business in Cyprus. The British, who used to make up 70 per cent of the market, form 40-50 per cent, says Loizou. They are most prevalent in Paphos, in the south-west.

Life is easy here. Everybody speaks English, and has a friend or relative in north London. Crime is not a threat. Vegetables are delicious, wine and brandy ubiquitous.

The country of the Troodos massif and the wild west coast, with its turtle breed-



Pool life at Kamarea village in the hills above Paphos

ing beaches, is spectacular. The Troodos also has the old British hill station, where the colonial government went to escape the summer heat of Nicosia, with its Swiss-looking hotels featuring tin roofs.

Following the mountain trails in the Troodos is good sport, but better still is seeking out its superb painted churches. Elsewhere, there is much archaeology to see, and the Cyprus Museum in Nicosia is not to be missed. First-time visitors are always astonished by it. And if golf is what you want, Cyprus now offers it.

It is easy for foreigners to buy property, provided it is for their own use, not for investment, and they do not intend to work in Cyprus. These restrictions do not apply in Spain and Portugal - Cyprus's main competitors in the south European property market. It means that people "make a conscious decision to settle in Cyprus", says Michael Cartwright of Paphos-based Leptos Estates, rather than drifting into it (as may happen in Spain and Portugal).

Buyers tend to be in their 50s waiting to retire, or older, except for the expatriates from Saudi Arabia who relish the freedom and familiar way of life of Cyprus - an odd blend of Greek and

British cultures - and the ease of getting a drink. The Council of Ministers vets applications to buy property, but that is usually a formality. Approval automatically implies permission to stay. After five years, you can apply for Cypriot citizenship and a passport, which is an attraction for some of the Arabs and Russians.

The biggest tangible bonus for foreigners owning property in Cyprus is the right to buy a car (or two per couple), and change it at stated intervals, duty free. Cypriots, however, face 100 per cent tax. And, on selling their property, foreigners may export their original investment, plus up to C£50,000 a year of capital gains on the sale.

On offer are village houses, or a house or flat in a new development, such as Leptos's Kamarea Village in the hills above Paphos, planned so that no house obscures the view of those higher up the hill. Two-bedroom villas start at C£59,000. There are beachside developments (with no ownership rights to the beach, since it is public property), such as Cybarco's scheme at Coral Bay (C£25,000 to C£75,000), or the Alakati scheme at Ayia Napa scheme (C£80,000 for a three-bedroom villa) that Loizou is marketing. It is

worth inquiring about possible resale, which, given the age of many buyers, happen regularly.

The best village houses have a paved internal courtyard, behind large doors, with a long, low, two-storey house on one side. The staircase is usually outside. Across the yard are animal sheds, which convert well into studios, and bathrooms. Prices depend upon state of repair and distance from the local centre. Expect to pay from C£28,000 to C£65,000 (in top condition).

Foreigners, Cypriots report, seem less keen to restore these old houses than they were a few years ago, perhaps because they do not want the burden of coping with local builders.

There is a middle way, says chartered surveyor Renos Pitros. Buy a plot, probably on the edge of a village, and build your own house. A new house 10km from Paphos with three bedrooms will cost about C£65,000, with a further C£15,000 for a pool. (He suggests waiting until you see how much you use the house before installing a pool.) Building can be done in stages as funds become available.

If Cyprus joins the EU, as is likely, expect prices to rise as employment and investment restrictions on foreigners' use of property cease to apply. And, since the island has full employment, there may be further demand from EU workers to Cyprus.

In the immediate future, the biggest development will be the completion of the motorway to Paphos, which will make the south-west more accessible for weekenders away from Nicosia.

■ **Cybarco**, 00357-6-236337, or in London, 0171-456 3381; **Leptos Estates**, 00357-6-236337, or in London, 0181-340 8096; **Antony Loizou**, 00357-6-236333; **Renos Pitros**, 00357-6-236344.



Grade I Mere Hall - the best-looking house to come on the market for many years

On the Move / Gerald Cadogan

## Arresting in black and white

Mere Hall is the best-looking house to reach the market for many years. Near Droitwich in Worcestershire, and 20 miles from Birmingham, its bold counterpoint of black and white half-timbering arrests the eye - and leaps across the 450 years the house has stood there.

On a closer look, the house gains much of its effect from the further contrast between the black and white rectangular surfaces in front and the parade of pointed gables in the tiled roof, which are placed above a long, mullioned, window to give the appearance of a long gallery.

It is no surprise that Mere is listed Grade I, as one of England's best half-timbered houses. The interior is equally impressive, with beams galore and superb panelling, as well as six main bedrooms, five reception rooms and a separate three-bedroom wing. There are 85



Romantic hideaway? A one-bedroom castle

acres of grounds, plenty of outbuildings and stables, and a cross-country course for riders.

The guide price is £1.5m from Jackson-Stops (01356-840224), or Quattrilli (0121-354 9229).

### A-mazing place

Riding is also on offer at Alveston Pastures, an old Warwickshire farmhouse with 18 acres outside Stratford-upon-Avon. Its chief attraction is a maze of 1,000 yews, planted eight years

ago, growing strongly, and a treat for all ages. Knight Frank in Stratford (01789-297735) is looking for £880,000.

### Paradise found

For just \$10m (£5.10m), you could own the Pacific Island bought by the late Malcolm Forbes (of Forbes magazine) in 1972.

Laucala is one of the 300 islands that make up Fiji and is 2 miles wide and 3½ miles long, with a population of 230. There is a landing strip and a quay and everything else that an island in the South Seas could offer.

Forbes' house is on a hill, and also included in the sale are two other houses, the village where the plantation workers live, and seven guest chalets.

The new owners could run the island commercially or keep it as the ultimate place to get away from it all. The agents are KZ in Edinburgh (0131-225 8171)

and Vladi Private Islands in Hamburg (0049 40 338989).

### Summer folly

A romantic hideaway to rent, at £1,550 a month from KZ in Cirencester (01285-658656), is a folly in the form of a miniature castle at Alderley near Wotton-under-Edge in Gloucestershire. The Summer House is on the western scarp of the Cotswolds, with fantastic views across the Severn. With only one bedroom, it looks ideal for a prolonged honeymoon.

### Landlord's guide

Hampton's *Lettings Handbook* is an excellent guide to the intricacies of being a landlord. It is of most help, probably, to people going abroad and wanting to let their home, or those thinking of buying property for income. The booklet explains the new safety regulations, the implications and types of tenancy.

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## PROPERTY / OUTDOORS

This weekend is the last sensible chance to enjoy half-hardy plants outdoors in the UK. To save them from the frost, you should bring them indoors, however mild the weather seems. Changes are very sharp and the old rule of thumb has always underlined October 14 as the date beyond which tender plants are no longer safe in the Home Counties.

If it is now mild at night for another three weeks, count yourself lucky, not prudent. The heavy and welcome rain has also made the planting of bulbs easier. It was no fun last month when the ground was like a brick, but now the trowel goes in smoothly and it is a quick job to plant 100 crocuses or 100 scillas for their blue flowers next spring.

The great experts like to write as if 100 is as much as you will need. The revered Graham Thomas, one of the UK's greatest plantmen, describes how he began with about 70 corms of the marvellous flowering Crocus tomentosus and soon ended up with several thousand on his sandy soil in Surrey. On my stony soil, I began with 300 and have reached Thomas' starting point after three declining years. There are only 70 left and you cannot blame my moving or maintenance because the planted areas are left alone as I wait for this supposedly rampant crocus to start ramping.

Experts such as Thomas clearly never had squirrels. Indeed, they are not the authorities to whom I would turn for the only advice on rooting out wildlife. The obvious methods should be familiar to you by now, although I have not yet tried hounds.

The squirrels decimate the crocus and the mice take the remains. Fortunately, they leave alone my smaller forms of narcissus, which are the great successes of the past five years' attempts to add variety without multiplying labour and expense. Right now, you could do far worse than plant Narcissus Jack Snipe, Tête-à-Tête and the remarkable February Gold wherever you want early spring bedding.

Tulips are the more conventional choice, but most of them die out in gardens after one or two years and I have



Mixing it up: still time to buy and plant Tulipa China Pink for a good show

Garden Picture Library

## Gardening

## Deadline for tender plants

But Robin Lane Fox finds some comfort in bulbs

started to object to the extravagance of importing these flowers for a fortnight at such a price. The small narcissi live and multiply in the soil. There is no need to lift them and I now fit the summer hedging plants round their dying leaves in late May. These leaves can be knotted and by mid-June can be removed entirely. The earlier the narcissus, the easier it is to have two seasons by following on with summer annuals.

Impatient gardeners and high financiers at weekends like to talk of "plastering their borders with thousands of bulbs". It is subtle to space out smallish groups down the length and middles of the bed, allowing them to multiply with time. About 200-300 go a long way in groups of 20 and I much prefer the effect of clumps against bare earth.

An alternative is to opt for the Sissinghurst spring effect and mix up all sorts of varieties into intensive groups, prolonging the season from March until late

May. The gardeners have perfected this art in what began as Harold Nicolson's personal garden beneath the bleached trees at Sissinghurst and has become one of the spring mainstays for thousands of visitors.

Fritillaries, species tulips, small jonquils and dogs tooth violets are jumbled up together in small rectangular beds, which could easily be copied to bring a touch of the foreground of a great Italian painting to a paved London garden. Leave a few rectangles of good soil unpaved and imitate the Primavera with a jumble of pre-selected candidates for springtime.

Picking and mixing also apply beautifully to tulips. The growers' mixtures are a poor and unpredictable lot. It is better to buy four or five varieties you like and then mix them up in the wheelbarrow before planting your pre-selected rainbow for the future. There is still time to choose tulips and wait until early next month to plant them. Last year, I mixed up the striped Marilyn, the lovely yellow Sweet

Harmony and China Pink with touches of the marble-white Carrara. They kept up a good show, sometimes coinciding, sometimes picking up the challenge in the relay during that wonderfully clear and dry spring.

If I have hopes of Graham Thomas-style multiplication, they rest with the hardy small anemones. Squirrels seem to ignore them and they like the dry soil which the climate is giving them in the 1990s. My favourite among the cheap options is Anemone Blands Bine, although the mixture of blue, pink and white run it a close second. This small tuber is easy and quick to plant, but I value the expert advice to soak them in cold water for at least 24 hours before planting.

Soaking seems to increase the proportion which then show leaves and flowers at ground level in late March. On dry soils, they really do spread and remind you that it is not only the experts of the older generation who could harness nature and end up with carpets of flowers with such apparent ease.

## London Life

## For Lord's and love nests

Gerald Cadogan reflects on St John's Wood's sporting life

It must be the oldest and most central of London's leafy suburbs. Unlike Hampstead or Chelsea, St John's Wood in NW8, with a small part in NW6, did not begin as a village waiting for the metropolis to engulf it.

It grew from the early 1800s as a series of planned developments of pretty stuccoed villas with large gardens and Georgian Gothic cottages *enfilade*, in the area north of Regent's Park between Maids Vale and Primrose Hill, and south of Kilburn and South Hampstead.

The cottages are in the delightful light style of John Nash's cottages round Regent's Park - as in Park Village East and West near the zoo - and maintain his theme of *rust in urbe*.

Even though the handsome church (with good monuments) at the end of the high street arrived in 1814 to bring faith and morality, St John's Wood was, say the stories, a place for love nests and one's mistress. Across the road from the church, Lord's began that same year, when Thomas Lord (1757-1832) moved the pitch on which the Marylebone Cricket Club played from Dorset Square in Marylebone to its present site.

Behind Lord's, there is an area of small streets, some still winding lanes just as they were in the 18th century. Even St John's Wood High Street, the heart of the village and its centre for shopping, is narrow (and fiendish to drive through).

By the 1890s, many artists lived here, as blue plaques on the walls commemorate. Sir Lawrence Alma-Tadema, the painter, made sure all knew his house in Grove End Road. The gate piers have a relief colophon in plaster of the intertwined letters ATL.

Theatrical director Frith Banbury, who has lived in St John's Wood for 86 years, remembers that, when he



For enfranchisable 27 Norfolk Road, the price is £2.75m

was a boy at 6 Greville Place, the president of the Royal Academy was across this road, and a sculptor next door.

He also pointed out where Phil May had a studio. "Alan Bates is over there," he waved, and "Bernard Miles started the Mermaid Theatre here. He put up a tent in the garden, and Flagstad sang Dido and Aeneas."

In the 1930s, and again in the 1960s to 1980s, apartment blocks appeared on the larger roads in St John's Wood. The most handsome is probably Stockleigh Hall on Prince Albert Road, a 1930s Art Deco-ish design. Avenue Road has big 20th century villas which would

suit the smart suburbs of any US city, but even here and at Maids Vale a few of the old houses survive.

Between Avenue Road and the high street is a large tract of postwar council housing. "Despite the huge discrepancy in incomes, the social mix works harmoniously," says Banbury. He believes it is because the estate is well maintained.

But St John's Wood has always been a social mix, ever since it became a nesting ground for mistresses. In the 1930s, it received many refugees from central Europe, resulting in synagogues and a still strong tradition of cakes and sweetmeats in the high

street. The Americans have the American School, Japanese are chauffeured to the City, and investment buyers of flats come from the Continent and south-east Asia.

As for the many Arabs, "they always follow where the Jews live," says Patricia Greenstone of John D'Wood. "The two go well together. It happened up in Hampstead in the 1970s."

Flats in the best blocks sell well, and houses are always in demand. Neville Castangana of Goldschmidt & Howland says, "few enter the market. There is never a glut."

The high street remains the focus of St John's Wood. "I love it," says another long-time resident, playwright Christopher Taylor. "But you have every opportunity there to spend an awful lot of money."

He also enjoys walking to the West End in 25 minutes "through a beautiful park".

Villas are not cheap. Kerr-Gilchrist and John D'Wood are selling 27 Norfolk Road for £2.75m (the house is enfranchisable), while 48 Abbey Road was recently sold freehold by the Eyrre estate through Cluttons Daniel Smith for £775,000 (after sealed bids) when needing a complete overhaul.

The same agent offers the semi-detached 44 Acacia Road for £1.2m, and John D'Wood a large semi-detached house in Carlton Hill for £1.875m. Bargetts offers a corner house at Carlton Hill and Abbey Road for £1.85m, and a detached villa in Clifton Hill for £1.65m.

A terrace house in Alma Square, with direct access to the communal gardens, costs £995,000 from Winkworth, and a large ground floor flat in Stockleigh Hall on Prince Albert Road £330,000.

**Bargetts, 0171-403 9494; Cluttons Daniel Smith, 0171-488 2922; Kerr-Gilchrist, 0171-431 0003; Winkworth, 0171-586 7001; John D'Wood, 0171-722 5555.**

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## WEST SUSSEX

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FOOD AND DRINK

# Do not settle for any port in a storm

Jancis Robinson uncorks a few surprises as she assesses the vintages of the 1980s

A vintage port tasting is particularly difficult to organise. And who would have thought that a pop sock would have been so useful?

Even one bottle of vintage port, no matter what the port shippers say, is quite a business to open and decant. In some cases, you have to chip your way through a wax seal over the cork. In every case, you have to stand the bottle upright for hours to settle a thick sediment off which you must pour the clear wine very gently, monitoring the operation through the darkest glass imaginable.

One day last May, Tim Stanley-Clarke was charged with organising a blind tasting of all the most important vintage ports of the vintages 1980, 1982, 1983 and 1985, totalling 37 in all.

One of the most practised port tasters in the wine trade, he knew that his wife's nylon hosiery, stretched over a funnel, would make an ideal filter. Even thus armed, he had to allow sev-

eral hours for the operation. His work was increased by continual requests that back-up bottles of disappointing wines be opened and painstakingly decanted. The tasters, who included some of the key members of what is still called the port wine trade, were keen to give each wine the benefit of every doubt.

The most surprising thing about this possibly over-ambitious tasting was how well the 1980s showed and how disappointing were the 1985s. With just one exception, the particularly impressive Fonseca (C390 a case at Farr Vintners of London SW1), the 1985s looked at least as old as the 1983s and seemed much less vigorous. The 1985s seemed to be evolving too fast to make a classic vintage. They

were slightly formless, hot, alcoholic and occasionally disturbingly volatile wines.

The two usual stars, Taylor and Graham, were both rather odd, for different reasons. For the moment, the Taylor was displaying little inside its impressive framework, while our sample of Graham was dangerously vinegary. Churchill and Smith Woodhouse, much less revered names, showed relatively well.

After the tasting I watched Paul Symington of the company which produces Graham, Dow, Warre, Smith Woodhouse, Quarles Harris and Gould Campbell ports, biling his oaths as he compared his tasting notes with the crib sheet. Was he, I wondered, as struck as I was by how well, especially in 1983, all his lesser shippers did in comparison



son with the heavyweights? He was and, most importantly for him, among the 1983s he turned out to be as unimpressed as I was by Taylor and Fonseca, both produced by the Symingtons' chief rivals.

We were broadly in agreement that the most impressive 1983s, in a fine line-up of ports with an

exciting future, were Gould Campbell, Quarles Harris, Smith Woodhouse (about £20 at Oddbins and Bottoms Up) and Warre (about £24 at Bottoms Up and Wine Rack).

The two 1982s were no better than expected from this not-widely-declared vintage, the Quinta do Noval being particularly disappointing and already turning brown.

The 1980s were a different story altogether, however. This vintage, written off by several influential merchants because of the fact that they initially cost more than the 1977s, seems to have been much underrated. And since today they cost markedly less than either the 1983s or 1985s, they are probably some of the best buys.

The colours were very variable

but the best 1980s still had a lovely deep, bright purplish colour boding well for their future with a fine, well-balanced complement of the essential components of alcohol, sweetness, tannin and acid.

Most notable were Quarles Harris (intense cassis), Gould Campbell (prunes and cumin) and a seductive but more evolved Smith Woodhouse. Among the 1980s, some of the big names also performed quite well. Graham and Dow (about £30 at Bottoms Up) in particular, but we had particularly disappointing samples of Fonseca and Niepoort 1980.

These wines can be found in the auction rooms and on wine brokers' lists for far less than the much-touted 1994s, yet they could be drunk with pleasure

this Christmas rather than having to be stored for decades.

Corney & Barrow of London EC1 (0171-251 4051) usually has a better collection of odd bottles of vintage port than most. The broking division has been offering bottles of the delicious Gould Campbell 1983 for just £14 each, Dow 1980 for £28 each and Smith Woodhouse 1980 for £165 a dozen (all ex-VAT).

Wilkinson Vintners of London N19 (0171-272 1962) scores highly on both range and value for vintage port and have been listing Smith Woodhouse 1980 at £155 a case (even though there were only six bottles), and Graham 1980 and Dow 1980 at £225 and £280 a case respectively.

In general, however, the brokers are more likely to sell the big names - Fonseca, Taylor, Graham, Dow, Warre and Quinta do Noval - than the lesser shippers which did so well in our tasting. The vintage port market is as absurdly, dementedly fashion conscious as that for red Bordeaux.

Word has it that British home cooks are taking meatballs seriously this autumn.

As the UK's Indian summer seems to be over, tottering towers of food piled high on dinner party plates - almost as perilous as stiletto heels - are giving way to earthier considerations. Mini cushions of bubble and squeak, polenta or moulded rice, surmounted by neatly filleted protein, artfully wreathed with wisps of salad, a few anorexic beans or token shreds of roots, do not accord with the domestic virtues of comfort and caring when the temperature begins to fall.

Besides, now that such high-rise chuffy creations are aped on every page of every supermarket magazine, can it really be called trendy to serve them?

The choice of meatballs is interesting. Meatballs mean mince, a word not without dire connotations in recent years, conjuring images of mechanically recovered meat from intensively raised dairy cattle, extruded into burgers and pies.

Yet the case in favour of choosing meatballs is logical. War of a sort has been waged for some time between convinced omnivores and vegetarians. Some of the latter seem to regard themselves as the sole possessors of the high moral ground. As a result, a carnivorous backlash has been mounted.

Omnivores point out that only the affluent can afford to pick and choose what they will or will not eat. And, they argue, if one is going to eat any meat at all, the only honourable, "green" thing to do must be to eat every part of any beast slaughtered - not just, say, a dainty slice of fillet with the chicken breast but also the liver, cockcomb, gizzards and feet.

Rubbing provocative taunts still further into vegetarian wounds, offal and bony extremities were declared fashionable. Recent winters witnessed the rise on chic menus of pig trotters and cheeks, oxtail and marrow bones, lamb shanks, chicken wings, duck gizzards and goose necks.

Now the relentless foodie spotlight is shifting to scraggy forequarters, the cheap, tough cuts of meat that call for particular skill and imagination to render them tender and speed the time needed to cook them.

Chopping such meats into patties is a classic solution, and resourceful cooks have traditionally taken pride in demonstrating just how delicious and varied such frugal confections can be. Meatballs were once a universal symbol of stylish economy. And it is to that golden age that this season's new-wave meatball cookery aspires.



## Retro is all the rage

Philippa Davenport applauds dishes that challenge the resourceful cook

Which brings me to the single most important and encouraging trend to emerge on the British food scene for years - a growing interest in sourcing good quality ingredients. This is the silver lining of salmonella, listeria, e-coli and BSE thunder clouds. It is a trend that looks set to gather momentum.

For some time, a handful of restaurants has been happy to announce on menus the provenance of specific ingredients, just as specialist food shops willingly give customers detailed information about the foods they stock.

There is a move afoot to follow suit on the dinner party circuit. Table talk has long included the passing-on of recipes for dishes enjoyed during a meal. Now conversation is just as likely to concern the ingredients themselves - the breed of beef, the variety of potato, the grower's name and that of the supplier.

Quite right, too. Decent meat is a key element in good meatball cookery. Without it, the labours of the cook are of little avail, the results all but damned.

THAI PORK RISSOLES WITH LIME LEAVES, CHILLIES AND MINT (serves 3, or 2 very greedy people)

This scrumptious recipe is from Nigel Slater, his latest, best-yet book, *Real Cooking* (Michael Joseph £18.99), is out now.

125g fatty bacon (such as pancetta); 4 spring onions, roughly chopped; 8 large lime leaves; a knob of ginger about the size of your thumb, grated; a large, hot chilli, chopped; 4 garlic cloves, chopped; about 12 mint leaves; 450g minced pork; a little oil for frying.

For the dipping sauce: 5 tablespoons rice vinegar; 4 tablespoons sugar; 1 tablespoon soy sauce; a small red chilli, seeded and finely chopped; a small handful of coriander leaves, chopped.

Mince the fat bacon. This is easiest done in a food processor, although it will actually be very finely chopped rather than minced. At a push, you could chop it to a mush by hand - but rather you than me. While the bacon is still in the processor, throw in the spring onions, lime leaves (minus any tough stems), the gin-

ger, chilli, garlic and mint. Season generously with black pepper and salt. Whizz until the aromatics and spices are finely incorporated into the bacon.

Mix with the minced pork and set aside in the cool while the mixture stiffens and the aromatics flavour the meat.

For the dipping sauce, bring the vinegar and sugar to the boil in a small saucepan and continue boiling till it turns sticky - a bit like thin, golden syrup. Remove from the heat, stir in the soy. Cool, then add the chilli and coriander leaves.

Get a little oil hot in a pan - it doesn't really matter what sort, just enough to cover the bottom in a shallow layer. Shape the seasoned pork into about 12 little patties, burgers if you like, and drop them, half a dozen at a time, into the hot fat.

Fry for a total of 10 minutes over low heat, turning once or twice. They should be cooked right through (test one by breaking it open; it should be light brown, not pink inside) and the surface

should be reddish-brown and glistening slightly with stickiness from the bacon fat.

Eat immediately with the dipping sauce, dunking each hot, citrus-scented burger into the dip as you eat.

LAMB MEATBALLS WITH BASIL AND AUBERGINE (serves 6)

This one is mine. Lamb aromatised with a sort of pesto. The aubergine is barely evident in the end result, but its presence ensures the meatballs are moist and light.

750g neck fillet of lamb (trimmed weight); 1 smallish aubergine (about 250g); 1 smallish onion; 2 small garlic cloves; a generous pinch of basil; 40g Parmigiano cheese; 2 tablespoons pine-nut kernels, lightly toasted in a dry frying pan; a medium of flour for dusting; virgin olive oil and unsalted butter for cooking.

Peel and cube the aubergine; chop the onion quite small. Heat 2 tablespoons oil in a well-seasoned or non-stick pan large enough to take both vegetables in a single layer.

Stir-fry the aubergine briefly. Add the onion and continue cooking very gently until both vegetables are soft and tender. Do not let them scorch or brown, but resist adding more oil to the pan.

Stir often - or you may find it best to use a heat retardant mat, cover the pan and let the contents sweat until done.

Pulse-chop the softened vegetables in a food processor until reduced to a semi-mush.

Turn the mixture out into a bowl. Grate and stir in the Parmigiano, season with lots of black pepper and the garlic crushed to a pulp with ½ teaspoon salt. When the mixture is cool, add 3½-4 tablespoons torn basil leaves.

Cut the lamb into chunks and chop it in the food processor until reduced to a semi-paste. Transfer it to a large bowl.

When the aubergine pesto is cold, beat it in to the lamb with a wooden spoon, mixing everything thoroughly. Cover and chill for at least an hour, preferably longer, to give the flavourings a chance to blend.

When ready to cook, roll and shape the mixture with your hands into 24 large go-busters. Push a trio or more of toasted pine-nuts into the centre of each and dust very lightly with flour.

Shallow fry, in batches if necessary, in a mixture of hot oil and butter over medium-low heat for about eight minutes, rolling the meatballs round the pan to harness the outsides of all of them evenly.

Eat as soon as cooked, preferably with pasta spirals tossed in the buttery pan juices, sprinkled with salt and a generous confetti of freshly torn basil leaves. Shredded and steamed Savoy cabbage, spinach, chard or green beans make a good vegetable accompaniment.

Dunk each hot, citrus-scented burger into the dip as you eat

The Lamb is a Youngs pub, and the draught beer - bitter, Special, Winter Warmer and Dirty Dick's - is as good as you'd expect. It also has a fine list of malt whiskies. Somewhere on the wall, a board offered wines by the glass, but a hunch told me that it might be better to stick to beer.

The food was extraordinary. As good a metaphor for what is happening to the UK as you will ever find: half-baked internationalism. Beyond mere normality in the form of fish and chips, "breaded" (which, like "battered", is part of the new Americanised language of catering - who is doing the battering, pray?) scampi and sausages with "fries" (ditto), come the "basket" cases: spinach with feta cheese and prawn "brochettes" (skewers to you) seemed innocuous enough to 1924, and only the gate lodges remain. Various old prints inside the pub remind one of its splendour.

The interior of the Lamb is Victorian. The panelling is of the simplest sort, just rough planks, but there is plenty of good cut glass, and the original bar has been preserved complete with the "snob-screen": little glass windows which may be closed or opened, whenever you want a word with the staff. One part of the pub, which now serves non-smokers, has all the makings of

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I am delighted to announce the first Financial Times white truffle dinner, to be held at Le Gavroche, W1 on Saturday, November 15 at 7.30pm. White truffles are one of the world's greatest and rarest delicacies. Unique to the region around Alba in northern Italy, they are in season only from October to December and this year are anticipated to fetch approx £1,000 to £1,500 a kilo.

The cost of the dinner is considerably less, £150 a person. This will include a five-course dinner, cooked by Michel

Roux of Le Gavroche and Alberico Penati, head chef at Harry's Bar, London. Six Barolo wines, back to the 1982 vintage, will accompany the meal. Service and VAT are included.

The dinner is limited to 60 places. To reserve your table, please contact Le Gavroche directly on 0171-408 0881, 0171-408 0839 (fax) quoting the Financial Times white truffle dinner.

Nicholas Lander  
NEXT WEEK: Philippa Davenport with some more truffle treats and recipes and news of tastings around the UK.

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## TRAVEL

# The baboon that fell to earth

There are a number of hazards associated with travelling to Africa: snakes, mosquitoes, perhaps even insurrection. But on a recent trip to Botswana I encountered something entirely new. Falling baboons.

We flew from Johannesburg to the magnificent Victoria Falls Hotel for a night, and then on to northern Botswana to what is probably the most remote safari camp in southern Africa, Kwando Lagoon Camp.

This is a private concession, once a hunting camp, set on 80km of the Kwando River. We are met at the airstrip and taken by double-decker raft, provisioned with champagne, tea and wafer-thin sandwiches, down river to the camp, a delightful trip of about half an hour.

The Kwando, in common with the rivers which feed the Okavango Swamp to the south, flows quite clear over hippo pools, reed beds and water lilies. Elephants are never far away.

Kingfishers and pygmy geese are around every corner, and the hippos die indignant as the raft passes. Hippos have very short fuses. As the raft passes they surface again, outraged by the intrusion, reminding me of elderly gentlemen protesting vainly at football boogies.

Soon the raft pulls into a bywater, a lovely lagoon, where not far off two bull elephants are feeding in the shallows. Now we see a landing stage under some huge trees, and scattered tents, shaded by reed thatching. I have been to many safari camps, and this is one of the most beautiful. It is also one of the most peaceful.

Under tranquility. But, of course, I have not yet encountered the falling baboons. Our tent is huge, with a shower attached, and the view from the front across the lagoon to the two bull elephants, still munching

Running from a charging rhino, spying on wildebeest, finding an African hideaway. FT writers did it all. But only Justin Cartwright escaped death by baboon. He opens three pages on safaris with the story of his narrow squeak

away on papyrus while knee deep in water, is soothing.

Not too far away a herd of elephants is drinking. Elephants with young are always restless, and I can hear that warning noise, like someone giving a short, inexpressible blow on a bugle, as well as the rumble of more intimate communication.

Time for a drink. I settle by the fire outside under giant African fig trees. Suddenly, there is a loud crack and something plummets to the ground not far from me. A large baboon lies dying. It is shocking and unheard of.

Baboons sleep in trees, so it can hardly have fallen from lack of experience. Someone suggests that a snake may have bitten it earlier. But I, the main witness, distinctly heard a branch break.

The baboon is removed, and I try to forget the image of it breathing its last. I privately suspect that the sight of me drinking a large guava juice some 50ft below may have stirred a fatal envy. I don't know; baboons are complex creatures.

The rest of the stay is hardly less eventful. The unique advantage of a place like this is that you can go anywhere and do anything. One night we tracked a leopard and followed him for some time, a sighting of precious rarity. Later we were to see two more.

On the way back to camp from one encounter, we came across two large male lions roughing up an intruder, a young male. He ran off right through the

middle of our camp. Other days we fished for barbel and bream from the raft, or walked, accompanied by expert guides.

If you have been to Africa a few times, you tend to hear the same stories and explanations; in southern Africa, they are usually delivered in a rather hectoring manner, mixed with a lot of doubtful conservation lore. But at this camp, Neil Mostert and his brother, who was visiting from his permanent job with the Natal Parks Board, were extraordinary, both in the extent of their knowledge and their unassuming ways.

Their ability to find lions, cheetah and leopards was uncanny. Kwando Lagoon is a new camp, and I think it will become more popular. Game parks are fine, and many offer excellent camps, but necessarily you are confined at night. The life of the bush, however, goes on after dark; in Kwando you are only a sheet of canvas away from it. You quickly become used to the hippos chuntering away just below you, and even the noise of an elephant feeding, apparently right inside your shower. And you lose all sense of the outside world.

One day Mostert told me of the disquiet he felt when he visited New York. So far as he was concerned, this was the real world and New York was some sort of aberration. I could easily see what he meant as I watched a pike kingfisher dive unerringly for minnows, before a backdrop of elephants. There is almost no moment of the day when elephants are absent from view. They are

to Botswana what yellow cabs are to Manhattan.

One night, after we had been fishing on the raft, Mostert steered into an unfamiliar lagoon. There, a dinner had been set up, with storm lanterns strung in the trees, the cooks busy over a glowing barbecue. God was in his heaven and there was not a suicidal baboon in sight.

Justin Cartwright travelled with Sabena (tel: 0151-790 2270), via Brussels. Sabena has connecting flights in South Africa through its associates, Sabena Nation-wide. Kwando Lagoon camp (\$290 a night all in) is reached by charter from Johannesburg or Victoria Falls. Tel: Kwando Wildlife Experience (Johannesburg 27 11 889 6138) or agents Art of Travel 0171-738 2038.



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## Tanzania The wildebeest migration

Michael J. Woods sees one of nature's great sights

Kasi Moto picked up a lump of buff granite the size of half a brick and banged it repeatedly against the large boulder. The result was a remarkably resonant ringing.

In Swahili, Kasi Moto actually means hot work. And testing the resonance of a rock was very hot work.

We were standing on one of the Moru kopjes, rounded granite fists punched through the crisp grey grasses which carpet the Serengeti to form green and ochre islands in the endless rolling plains.

Below us wildebeest streamed past in parallel columns, thousands of weary feet kicking up the fine volcanic ash in pale, choking clouds that boiled around until, caught by the wind, it was whisked over their nodding heads to reveal line on line of blue-grey backs. All the while the wildebeest were lowering in a bovine way, a sound now synonymous with their migration.

The migration is a complicated process, a remarkable natural wonder and the last of its kind to continue uninterrupted. But, unlike a bird migration, these antelope do not move from one place to another and stay put until moving back later.

Instead, they are forever nomadic, often chasing any localised shower which brings a brief flush of new growth to the parched and brittle grass. Nevertheless, there are defined moments which give an overall shape to what otherwise appear random movements.

The wildebeest calve in late January and February but delay it, if necessary, to fit in with the weather pattern of that particular year. For safety reasons this takes place on the short grass plains in the south of the Serengeti, where predators can be spotted from a good distance. Slowly the animals move north, chasing showers until the long rains arrive at the end of March, by which time they will be in the central Serengeti.

Well fed, they rut in June and, then split into two cohorts moving rapidly northwards and making their famous crossings of the Mara River.

They mill around until the short rains begin in late October and then go south once more, to arrive in the southern Serengeti in time to calve. It was this calving I had come to see for the immense harvest is perfect for the Serengeti predators who feast while they can. Unlike the nomadic herbivore herds, their territories are fixed and, once the wildebeest move on, the pickings are sparser.

In spite of what some of the more fanciful travel brochures might imply, this does not mean that they still

**We saw lions, plump as well-stuffed bolsters, lazing in the shade**

ply lie in full view on the open plains ready to reach out a lazy paw and nail a passing meal. They still hide and finding them is a mixture of fieldcraft, local knowledge and luck. As Kasi Moto so aptly put it: "We find whatever we can in the field. We have no appointments with the animals."

But we did discover lions, plump as well-stuffed bolsters, lazing in the shade. Coalitions of males, their thick manes tangled with thorns, and often matted with mud and blood, generally lay together. Not far away, lionesses slumped in the long grasses surrounding pools of water, with sleepless cubs plugging them.

With so much food available, the lions did little in the daytime but twitch their black-tipped tails. Cheetahs are more active during the day but far shyer, and it was only the patience of a three-hour wait that enabled sev-

eral fellow guests to watch a successful hunt.

Probably the most obvious predators, though, are spotted hyenas. The second largest carnivore in Africa, they seem to pop up everywhere, looting across the infinite plains, every one apparently on a mission.

Late one morning, we found 30 at a waterhole - by far the most I have seen together at one time - but still only a part of their clan. Some stretched out in the reeds, others lay half in and half out of the water, their fur collecting even greater crusts of black mud.

Two youngsters foraged under the dark and evil soup until one exhumed the horns and a strip of ragged skin which had once belonged to a wildebeest. Head held high, it trotted away with its prize, a prize so poor that no other well-fed hyena even troubled to challenge it.

Towards the end of my stay at Kusini Camp, in the south-west Serengeti, there was a feeling that the predators' party was over. As we stood on the Moru kopjes and watched European bee-eaters, swifts and swallows flying north, it seemed as if all the natural world was on the move.

I was here on the cusp of the seasons. Tomorrow the herds would be gone, trekking north as they have done for millennia.

Michael Woods travelled to Tanzania with African Explorations, Holwell Manor, Barn, Holwell, Bedford, Oxfordshire OX28 4TS. (Tel: 01993-822443). He flew to Arusha from his local airport with KLM (0990-750900), which has connections to 18 airports in the UK.

He stayed at Serena Lodge at the Ngongoro Crater and Mashado Kusini Safari in the Serengeti. His first and last nights were spent at Ngare Sero Mountain Lodge, an old German hunting lodge set in beautiful grounds and located between Arusha and the airport. Excursions can be arranged to Arusha National Park and Mount Meru.

مکان التحمل



TRAVEL



A gemsbok skitters through the water towards thirsty wildebeest: the waterhole at Okaukuejo is floodlit at night

John Westbrooke

Namibia

# On the fringe of the desert

John Westbrooke enjoys a unique journey

Within five minutes of driving into Etosha National Park we were gawping. Zebra crossing? A dozen of them. A herd of springbok right behind them, on their way to the waterhole. The shadowy thing under the tree? A lion sleeping off a giraffe breakfast.

By no means all of our three days in the park were this action-packed, but Etosha is nonetheless a unique experience.

It occupies an 8,600-square mile rectangle of northern Namibia. The western half is off-limits to most humans. The other half is mainly occupied by the Etosha Pan, a huge desert of white clay which gives the park its name - "great white place".

It only occasionally fills with water, but along its 80-mile southern rim lies a series of waterholes, connected by a gravel road. All you have to do is stop by one and wait.

and wait and wait and maybe see nothing at all. Modern tourists, who figure they have paid plenty of money and want to see plenty of game for it, may be unhappy with this. Understandable, but it is not how nature works: animals will turn up in their own good time, or never.

Still, the authorities do their best. There is a rest camp at each end of the drive through Etosha, and one in the middle. All have waterholes. Floodlit at night. By far the best is Okaukuejo, the westernmost. Watch all night and you may see a steady, slow stream of elephants, rare black rhino, giraffe, even the big cats, cheetah and leopard, for which Namibia is famous.

During the day the viewing is just as beautiful, if less carnivorous. Graceful springbok, bulky wildebeest.

gemsbok with their long straight horns, make their dusty way to water: skittish zebra or optimistic jackals may accompany them; all keep a wary eye on one another, respecting the pecking order.

Etosha is fenced, and not all species live there: no monkeys or hippos, for instance. The camps keep sighting books, and you can ask staff which are the chic watering holes of the day. (Ombiko, in the west, was where we saw our lion.) Winter, when water is scarce and animals have to come to the holes, is normally the best time for viewing, but heavy rains earlier this year meant that grass was longer, and wildlife harder to see, than usual.

Some tourist operators, and some camps outside the park, do provide game drives, but the most common way to see Etosha is to drive yourself. This perhaps means that Etosha is not for the first-timer with no experience in telling a springbok from a dead tree or an ostrich from a rock: animal camouflage is very effective if you do not know what you are looking for and have no guide to show you.

Even when you do see something, it can be hard to interpret it. Those bull elephants we saw at the water's edge, elbowing one another, flapping their ears and waving their trunks: all-out gang warfare about to erupt, or just a school reunion with a lot of jovial razzing?

They all suddenly got down to drinking and farting in unison, which suggested the latter scenario was correct - but that was only a guess, of course, and a wildly anthropomorphic one.

Yes, it would have been nice to have an expert on hand who could tell us what

was really going on. The three camps provide comfortable bungalows as well as camping grounds; there are buffet restaurants, shops and petrol stations. Okaukuejo, a former German police base, has a limestone tower which provides wide views over the park. Even more exotically, Namutoni, the eastern camp, is built round a white Beu Geste-style fort, a former army post which once housed British prisoners of war and, more recently, Miss Universe finalists.

All the camps close at sunset; if you do not make it back in time, stay in your car (lions do eat people) and await rescue. Etosha has all the joys of better-known game parks - miles and miles of bloody Africa, and always the possibility of seeing an elephant round the corner.

Etosha is Namibia's pride, and justly so, but there are other ways of seeing wildlife. There are hundreds of flamingoes on the coast at Walvis Bay, and thousands of fur seals at Cape Cross. Stay at a place such as Damaraland Camp, a luxury tented camp in the wilds west of Khomas, and you may see desert elephants.

For beginners, the books recommend little Daan Viljoen game park, just outside Windhoek, the capital. No big game, nothing dangerous, but zebra, baboons, hartebeest and a variety of birds can all be spotted there. I feel obliged to mention that in an afternoon there, we saw nothing at all - but on the main highway outside the park we came across three kudus and a family of baboons. That's how nature works.

John Westbrooke was a guest of Sunvil Travel, tel: +44 0181-232 9777. Etosha's rainy season runs from December to April.

Hideaways

## Just a little bit different

J.D.F. Jones and Jules Cashford throw away the guide books for a trip to the Cape

Some people find that one week of game-watching is enough. It is wonderful, of course, but seven days of getting up before dawn and driving twice a day for hours over the rutted veld can induce fantasies of king-size mattresses and lazy mornings at the pool and, even, the smell of the sea.

But it is absurd to go to South Africa for one week. The solution is to plan a second somewhere totally different from the glories of the Eastern Transvaal or the Kalahari, and the place to aim for is the Cape. (Bear in mind that the train journey, whether on the famous Blue Train or in the luxury old-style carriages of Rovos Rail, is a long slog unless you are a railway buff. Consider, instead, the easier option of a two-hour flight from Johannesburg to Cape Town.)

The Cape Peninsula, as serious travellers must know, is simply one of the most beautiful places in the world. It has a highly developed, sophisticated and relatively safe tourist industry. The trick is to decide where to stay.

This is not an article about recommended hotels - there are plenty of guides - so much as an explanation that there is a choice available. These days, there are three separate styles for the visitor: hotels (starting at the top, with the Mount Nelson in Cape Town, which is absurdly expensive and has the cheek to charge in dollars); guest houses, which have become an excellent and thriving South African institution; and self-catering cottages or apartments. That is the choice.

Here are three examples, chosen at random after recent visits:

Hotels: Cape Town and the peninsula are attacked with hotels of every quality. But you may not want the crowds; you may want to be right on the sea - which is not as simple as it sounds, because most of these Cape hotels are separated from the beach by busy roads or even (on the Indian Ocean coast as far as Simons Town) by a railway line.

Consider driving out of Cape Town for a couple of hours, across False Bay and over the stunning Hottentots-Holland mountains to the Overberg, past fashionable Hermanus and Omsos - formerly beautiful and remote retreats, now lost to commercial development - and on to Cape Agulhas, Africa's southern tip, and on to Arncliffe.

It is a delightful fishing village, unspoilt, set between small dunes, where a dozen tiny boats set out at dawn every day. Many of the houses are small and white and thatched, to match the original coloured fishermen's homes.

There are hidden caves and drives through the

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Turn left and you are astonished to find a colony of jackass penguins

ostrich farms and, in the afternoon, the drama of the return of the fishing boats from over the far horizon.

More to the point, Arncliffe has an extremely good hotel, recently improved and extended, looking out on the ocean. Good restaurant, sheltered pool where the swallows dive-bomb the water, friendly people, no noise, no hassle. Insist on a "luxury, sea-facing" room - at 7.7 rand to the pound, you can afford it. There are whales galore just off-shore in season, from (roughly) July to October.

Guest houses: These are, in effect, small, informal hotels often run by the owners, and they are scattered around the country in fast-

Increasing numbers as whites discover that their career prospects in the New South Africa of "affirmative action" are no longer as golden as they used to be.

Many guest houses are very good indeed. One example, on the Cape Peninsula, is Boulders Beach Guest House, just outside Simons Town on False Bay. There the Indian Ocean is warmer than across the hill, where the Atlantic hecks, so much so that it can make for a more enjoyable swim on Christmas day. Boulders is 30 to 40 minutes from Cape Town and 70 yards from the ocean above a sequence of small sand heaths amid great, ancient, smooth boulders.

Turn left and you are astonished to find a large colony of jackass penguins, strutting on the sand under the protection of municipal wardens, or huddling in the indigenous undergrowth that encloses the beaches.

Turn right and you can pass a chain of tiny, empty bays to the long, deserted coastline down to the Cape of Good Hope, via a good fish restaurant and a couple of hidden tidal pools for real swimming.

The Boulders guest house has recently been revived and expanded. It is very simple - white pathways, white rooms, firm beds, good bathrooms, no clutter. There is an unpretentious restaurant on an open-air balcony from which you can look out on - and listen to - the whales.

Staff are young, relaxed and friendly. There is even a small golf course next door, and scuba diving - and Simons Town is close, with its naval base and historic main street, including the Lord Nelson Hotel and the Plymouth Sound Restaurant. You are well positioned to explore the rest of the peninsula. Dirt cheap and recommended.

Self-catering: In-between hotels and guest houses, particularly if you have children or like to holiday with friends, South Africa has a range of self-catering developments which, at the top end of the market, can be very comfortable and even luxurious. (It is important to stick with the top end.)

Typically, these would be a collection of individual cottages set in landscaped gardens with daily servicing, full security, a good pool, but no attempt to provide restaurants, room service, etc.

The units vary in size and price, are well-equipped and furnished and have full kitchens. It is possible to rent them for surprisingly brief periods. One example on the Cape Peninsula, Houtkapperspoort, is set on the steep and wooded slopes of Constantia, a couple of miles equidistant between Cape Town and Hout Bay on the Atlantic.

You have the benefit of quick access to the city or

the sea, while not having to endure the noise or the crowds of either. Hout Bay is a thriving, lively little port with good restaurants and a fishing fleet and boats which will take you out to watch seals.

There are a number of similar places in the area. You would need a car - but all visitors to South Africa need a hire car - best arranged before you arrive.

You have to decide whether you will want to shop (and cook) or, much simpler, to drive to one of the many local restaurants.

Remember that eating out in South Africa is cheap thanks to the exchange rate.

The Arncliffe Hotel: (27) 38755400.

Boulders Beach Guest House: (27) 21-786-1755.

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**Van Gogh Museum**  
Tel: 31-20-570 5200  
Auguste Préault (1809-1879): Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury. This display includes important works produced during the 1830s and 1840s; to Jan 11

**OPERA**  
**Het Muziektheater**  
Tel: 31-20-551 8911  
La Traviata: Netherlands Opera production conducted by Ralf Weikert and directed by Alfred Kirchner; Oct 19, 22

BALTIMORE

**EXHIBITIONS**  
**Baltimore Museum of Art**  
Tel: 1-410-396 6310  
A Grand Design: The Art of the Victoria and Albert Museum. First stop of a five-city North American tour of selected objects from the V&A's collection. Consists of 250 works of art ranging from Leonardo da Vinci's notebooks to shoes by Vivienne Westwood, presented in sections which address changes in the institution's collecting policy; to Jan 18

BARCELONA

**EXHIBITIONS**  
**Fundació Joan Miró**  
Tel: 34-3-323 1908  
● **Joan Miró - Equilibrium in space:** selection of works by Miró dating from the 1960s onwards which aims to show the relationship of his work to oriental culture; to Nov 2  
● **Sebastià Gasch:** centenary celebration of the avant-garde critic; to Oct 26

BASLE

**EXHIBITIONS**  
**Öffentliche Kunstmuseum Basel**  
Tel: 41-61-271 0828  
Peter and Samuel Birmann - Artists, Collectors, and Dealers: first major exhibition devoted to Peter Birmann and his son Samuel, the landscape painter, at the Kunstmuseum; to Jan 11

BERLIN

**CONCERTS**  
**Konzertsaal** Tel: 49-30-203090  
● **Berlin Symphony Orchestra:** conducted by Andreas Delfs in works by Britten, Handel and Shostakovich; Oct 18, 19  
● **Berlin Symphony Orchestra:** conducted by Jerry Semkow in works by Glinka, Dvorák and Prokofiev. With violin soloist Alyssa Park; Oct 23, 24

**OPERA**  
**Deutsche Oper Tel:** 49-30-34384-01  
Der Fliegende Holländer by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 24

BILBAO

**EXHIBITION**  
**Guggenheim Museum Bilbao**  
Tel: 34-4-423 2799  
The Guggenheim Museums and the Art of This Century: the new museum's inaugural exhibition features more than 300 works of modern and contemporary art from the Guggenheim's collections

BONN

**EXHIBITIONS**  
**Kunst- und Ausstellungshalle der Bundesrepublik Deutschland**  
Tel: 49-228-917 1200  
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen. Ranges from 17th century Dutch painting to modern photography; to Jan 11

BRUSSELS

**OPERA**  
**La Monnaie Tel:** 32-2-229 1211  
● **La Stelliatura Vendicatrice:** by Francesco Provenzale. New production directed by Philippe Sireuil and conducted by Alessandro de Marchi; Oct 19, 21, 23  
● **Otello:** by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 18, 21

CHICAGO

**EXHIBITIONS**  
**Art Institute Of Chicago**  
Tel: 1-312-443 3600  
● **A Collecting Odyssey:** Indian, Himalayan, and Southeast Asian Art



'Mademoiselle Legrand', 1875, by Pierre Auguste Renoir, one of the portraits by the artist on display at the Art Institute of Chicago

from the James and Marilyn Alsdorf Collection. Around 200 works of art, primarily Buddhist and Hindu sculpture spanning nearly 20 centuries; to Oct 26  
● **Renoir's Portraits:** Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; from Oct 21  
● **The Modern West:** Landscapes: Gertrude Kuhn and Franz Lipp. Examines the contrasting careers of these two Chicago-based landscape architects from the 1930s to the 1970s. Includes around 70 drawings and photographs; Kisho Kurakawa Gallery; to Nov 30

**OPERA**  
**Lyric Opera of Chicago**  
Tel: 1-312-332 2244  
● **Idomeneo:** by Mozart. Conducted by John Nelson in a staging by John Copley; Oct 18, 22  
● **Nabucco:** by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Oct 21, 24  
● **Peter Grimes:** by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 20

EDINBURGH

**EXHIBITIONS**  
**National Gallery of Scotland**  
Tel: 44-131-624 6200  
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself - including Elian Terry and Ethel Smyth - as well as works by his contemporaries and memorabilia from his studio. The exhibition also presents something of Lady Agnew herself including pictures and photographs of her family; ends tomorrow

LONDON

**CONCERTS**  
**Barbican Centre**  
Tel: 44-171-638 8891  
● **London Symphony Orchestra:** conducted by André Previn in works by Mozart and Beethoven; Oct 18  
● **London Symphony Orchestra:** conducted by André Previn in a programme of works by William Walton. With violin soloist Alexander Barantschik, viola Paul Silverthorne and cellist Tim Hugh; Oct 23

**DANCE**  
**Labatt's Apollo, Hammersmith**  
Tel: 44-171-416 6082  
The Royal Ballet: The Sleeping Beauty. Production by Anthony Dowell, with designs by Maria Bjornson; Oct 18

**EXHIBITIONS**  
**Hayward Gallery**  
Tel: 44-171-261 0127  
Objects of Desire: The Modern Still Life. Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

**National Portrait Gallery**

Tel: 44-171-306 0055  
● **Glenys Barton:** selection of ceramic heads and portraits by the British sculptor; to Jan 11  
● **Sir Henry Raeburn (1756-1823):** this exhibition of some 60 paintings includes the major portraits belonging to the National Gallery of Scotland as well as loans from abroad; from Oct 24  
● **The Pursuit of Beauty:** Five Centuries of Body Adornment - organised by the Education Department; this chronologically arranged exhibition traces the history of fashion through the art of portraiture, from the Elizabethan period to the present; to Oct 26

**Royal Academy of Arts**  
Tel: 44-171-439 7438  
Sensation: Young British Artists from the Saatchi Collection. Showcase of works by some 40 artists including Damien Hirst and Rachel Whiteread; to Dec 28

**Tate Gallery Tel:** 44-171-887 8000  
● **Mondrian:** Nature to Abstraction - selection of 60 works loaned by the Gemeentemuseum in the Hague; to Nov 30  
● **The Age of Rossetti, Burne-Jones and Watts:** Symbolism in Britain 1860-1910. Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European contemporaries such as Redon and Moreau. The show aims to demonstrate the powerful influence of Symbolism on British artists; to Jan 4  
● **Turner on the Loire:** selection of watercolours, engravings, and a long lost oil which document the painter's tour of northern France in 1826, the climax of which was his journey up the River Loire; to Feb 15

**OPERA**  
**London Coliseum**  
Tel: 44-171-632 8300  
English National Opera's new production of Janáček's From the House of the Dead opens on Monday, conducted by Paul Daniel and staged by Tim Albery. The programme is completed by Twice Through the Heart, by Mark-Anthony Turnage; Oct 20, 23

**Shaftesbury Theatre**  
Tel: 44-171-379 8857  
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Oct 23

**THEATRE**  
**Barbican Theatre**  
Tel: 44-171-638 8891  
The Ninagawa Company: in Shintoku-Maru, by Shuji Terayama, adapted by Ryo Kishida; Oct 18

**National Theatre**  
Tel: 44-171-928 2252  
● **An Enemy of the People:** by Ibsen, in a new version by Christopher Hampton. Directed by Trevor Nunn. Cast includes Ian McKellen; Olivier Theatre; in repertory  
● **Chips with Everything:** by Arnold Wesker. Directed by Howard Davies and designed by Rob Howell; Lyttelton Theatre; in repertory  
● **Othello:** by Shakespeare. Directed

by Sam Mendes and designed by Anthony Ward. David Harewood plays Othello, Claire Skinner is Desdemona; Cottesloe Theatre; in repertory  
● **The Invention of Love:** the protagonist of Tom Stoppard's new play is the poet and classical scholar A E Housman, played by Paul Rhys and John Wood. Directed by Richard Eyre and designed by Anthony Ward; Cottesloe Theatre; in repertory

**The Old Vic Tel:** 44-171-928 6655  
● **King Lear:** Peter Hall directs Shakespeare's tragedy for the first time, in a production based on the 1623 text with Alan Howard in the title role; in repertory  
● **The Provok'd Wife:** Lindsay Posner directs Alison Steadman and Michael Pennington in Vanbrugh's comic take on sexual politics in Restoration England; in repertory

LOS ANGELES

**CONCERTS**  
**Dorothy Chandler Pavilion**  
Tel: 1-213-365 3500  
● **Los Angeles Philharmonic:** conducted by Esa-Pekka Salonen in Mahler's Symphony No. 3; Oct 18  
● **Los Angeles Philharmonic:** conducted by Esa-Pekka Salonen in works Mozart and Beethoven, and the world premiere of a new work by Donatoni; Oct 23, 24

**OPERA**  
**L. A. Opera, Dorothy Chandler Pavilion Tel:** 1-213-972 8001  
Floresca en el Amazonas: by Daniel Catán. Conducted by Roderick Brydon in a staging by Francesca Zambello. Cast includes Sheri Greenawald; Oct 18

MELBOURNE

**DANCE**  
**Melbourne Festival**  
Tel: 61-1800-338 998  
New York City Ballet: Programme One includes Interplay by Jerome Robbins, The Four Temperaments by Balanchine and Fearful Symmetries by Peter Martins; at the State Theatre; Oct 18. Programme 2 includes Donizetti Variations and Rubies by Balanchine, and the Barber Violin Concerto by Martins; at the State Theatre; Oct 18, 19

MUNICH

**CONCERTS**  
**Philharmonie Gasteig**  
Tel: 49-89-5481 8181  
Prague Symphony Orchestra: conducted by Gaetano Delogu in works by Rossini, Brahms and Dvorák. With piano soloist Valéry Afanassiev; Oct 24

**DANCE**  
**Bayerische Staatsoper**  
Tel: 49-89-2185 1920  
● **Bayerische Staatsballett:** Romet and Juliet. John Cranko's choreography is set to Prokofiev's score, with sets and costumes by Jürgen Rose; Oct 18, 19  
● **Bayerische Staatsballett:** Swan Lake. Sets and costumes are by John Macfarlane; Oct 23

**EXHIBITIONS**  
**Haus der Kunst**  
Tel: 49-89-2185 1920

● **Ellsworth Kelly:** retrospective of the American abstract painter and sculptor, b. 1923, now in his 70s and one of the most distinguished living artists. Organised with the Guggenheim Museum and previously seen in New York, Los Angeles and London; to Jan 18  
● **Joel Shapiro:** sculptures 1993-1997; from Oct 24  
● **Juliao Sarmento:** display of recent works by the Portuguese painter; from Oct 24

**Kunststhal der Hypo-Kulturstiftung**  
Tel: 49-89-224 412  
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam; to Jan 11

**OPERA**  
**Bayerische Staatsoper**  
Tel: 49-89-2185 1920  
● **Die Zauberflöte:** by Mozart. Conducted by Hans Drewanz in a staging by August Everding, with designs by Jürgen Rose; Oct 21  
● **The Love for Three Oranges:** by Prokofiev. Conducted by Roberto Abbado, in a staging by Jun Lubimow; Oct 22, 24

NEW YORK

**CONCERTS**  
**Lincoln Center Tel:** 1-212-721 6500  
New York Philharmonic: conducted by Neeme Jarvi in works by Thomson, Tchaikovsky and Mendelssohn. With tenor Richard Clement and violin soloist Tasmin Little; Avery Fisher Hall; Oct 18, 21

**EXHIBITIONS**  
**Brooklyn Museum of Art**  
Tel: 1-718-638 5000  
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter; to the Italian and French Riviera in the 1880s, to Venice in 1908; to Jan 4

**Guggenheim Museum**  
Tel: 1-212-423 3500  
Robert Rauschenberg: major retrospective consisting of some 400 works spanning the artist's 50 year career. The exhibition begins at the Solomon R. Guggenheim Museum and continues at the Guggenheim Museum SoHo; to Jan 7. A special installation of The 1/4 mile or 2 Furlong Piece is at Ace Gallery New York; to Nov 9

**Metropolitan Museum of Art**  
Tel: 1-212-879 5500  
● **Picasso - The Engraver:** Selections from the Musée Picasso, Paris. Around 150 engravings, etchings and woodcuts created between 1900 and 1942; to Dec 21  
● **The Private Collection of Edgar Degas:** sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist who once imagined establishing his own museum. Includes works by Ingres, Delacroix, and Impressionists including Manet, with one room devoted to works by Degas himself; to Jan 11

**Museum of Modern Art**  
Tel: 1-212-708 9480  
● **Achille Castiglioni:** Design! First US retrospective of the Italian architect and designer; to Jan 6  
● **Egon Schiele (1890-1918):** The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jan 4

● **From Henri de Toulouse-Lautrec to Andy Warhol:** Exploring Techniques. Selection of 70 woodcuts, etchings, lithographs and screenprints from the collection; to Feb 8  
● **New Concepts in Printmaking 1:** Peter Halley - Installation of technologically-derived works by the painter launches a series which aims to challenge conventional notions of printmaking; to Feb 8  
● **On the Edge:** Contemporary Art from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; to Jan 20

**OPERA**  
**Metropolitan Opera, Lincoln Center**  
Tel: 1-212-362 6000  
● **Carmen:** by Bizet. Revival of a production by Franco Zeffirelli; Oct 21  
● **Il Barbiere di Siviglia:** by Rossini. Revival of a staging by John Cox; Oct 22

● **La Cenerentola:** by Rossini. Met Opera premiere. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Baló; Oct 20, 24  
● **Manon:** by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Oct 18  
● **Turandot:** by Puccini. Revival of a staging by Franco Zeffirelli; Oct 18, 23

**New York State Theater**  
Tel: 1-212-870 5570  
● **Don Pasquale:** by Donizetti. New York City Opera. New production, premiered at Glimmerglass, directed by Leon Major and conducted by Lucinda Carter; Oct 19, 23  
● **Iphigénie en Tauride:** by Gluck. New York City Opera. Conducted by Jane Glover and directed by Francesco Zambello, with sets by Marina Draghici; Oct 18, 21, 24  
● **La Traviata:** by Verdi. Revival of Renatta Scott's New York City Opera production, conducted by Emmanuel Joel; Oct 18

**THEATRE**  
**Bowling Lane Theatre, 330 Bowery**  
Tel: 1-212-877 0060  
Rough Crossing: Jean Cocteau Repertory production of Tom Stoppard's musical farce, set aboard a steamship bound for New York

**Century, 111 E. 15th St.**  
Tel: 1-212-239 6200  
How I Learned to Drive: by Paula

Vogel. Mark Brokaw directs Molly Ringwald and Bruce Davison

**Lucille Lortel, 121 Christopher St.**  
Tel: 1-212-239 6200  
As Bees in Honey Drown: by Douglas Carter Beane. Directed by Mark Brokaw. Cast includes T. Scott Cunningham and J. Smith-Cameron

**Minetta Lane Theatre**  
Tel: 1-212-420 8000  
Gross Indecency: The Three Trials of Oscar Wilde. Written and directed by Moisés Kaufman, based on transcripts, letters and other writings. Michael Emerson plays Wilde

**Plymouth, 236 W. 45th St.**  
Tel: 1-212-239 6200  
Jekyll & Hyde: brought from Robert Louis Stevenson's page to the New York stage, and directed by Robin Phillips

PARIS

**CONCERTS**  
**Salle Pleyel Tel:** 33-1-4561 6589  
Orchestre de Paris: conducted by Iván Fischer in works by Schubert, Mozart and Bartók. With piano soloist Richard Goode; Oct 22

**DANCE**  
**Opéra National de Paris, Palais Garnier Tel:** 33-1-4343 9898  
Paris Opera Ballet: in Swan Lake; Oct 18, 19, 21, 22, 23, 24

**EXHIBITIONS**  
**Grand Palais Tel:** 33-1-4413 1717  
Georges de La Tour: bringing together all but one of the 43 works now recognised as the work of the 17th century master, gradually recovered from obscurity since the last century. The display also includes numerous copies; to Jan 26

**Jeu de Paume Tel:** 33-1-4703 1250  
César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects; and tomorrow

**Musée d'Art Moderne, Ville de Paris**  
Tel: 33-1-5367 4000  
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

**Musée du Louvre Tel:** 33-1-4020 5151  
● **A Mission to Persia 1897-1912:** display of pictures, objects and photographs retracing the archaeological expedition led by Jacques de Morgan, paying tribute to his career and the mission's discoveries about the ancient civilizations of Iran; to Jan 5  
● **Etchings from the Low Countries:** display of 110 copper etchings dating from the 15th and 16th centuries. Includes works by Lucas de Leyde and Dürer; to Jan 5

**OPERA**  
**Opéra National de Paris, Opéra Bastille Tel:** 33-1-44731300  
● **Aufstieg und Fall der Stadt Mahagonny:** by Kurt Weill. Conducted by Jeffrey Tate in a production directed by Graham Vick; Oct 18, 20, 23  
● **Turandot:** by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi. With choreography by Alphonse Poulès and designs by Alison Chitty; Oct 21, 24

PORTO ALEGRE

**EXHIBITIONS**  
**Various venues**  
Mercosur Biennial of Visual Arts: retrospective of Latin American art comprising works by 200 artists from seven countries: Brazil, Uruguay, Argentina, Paraguay, Bolivia, Chile and Venezuela. Held in 11 locations around the city; to Nov 30

TOKYO

**EXHIBITIONS**  
**Bunkamura Museum of Art**  
Tel: 81-3-3477 9252  
Photography in Paris 1905-1997: around 240 works by some 53 photographers, on loan from the Centre Georges Pompidou in Paris. Those represented include Man Ray and André Kertész; to Oct 28

**Tokyo National Museum**  
Tel: 81-3-3822 1111  
The Japanese Sword: Iron Craftsmanship and the Warrior Spirit. This display of 350 swords has been mounted to mark the 50th anniversary of an exhibition of swords held in 1947; to Nov 24

VENICE

**EXHIBITIONS**  
**Fondazione Giorgio Cini**  
Tel: 39-41-528 9900  
Venice - from State to Myth: beginning with symbols of authority such as Carpaccio's great Winged Lion of St Mark and ranging across the centuries, this grand display concludes with several modern works; to Nov 30

**VIENNA**  
**EXHIBITIONS**  
**Kunstforum der Bank Austria**  
Tel: 43-1-533 2266  
Art and Insanity: widening survey of the relationship between madness and the visual arts, from the Baroque to the modern; to Dec 8

**KunstHausWien Tel:** 43-1-712 0495  
Herb Ritts: first European retrospective of work by the American photographer. Previously seen in Boston; to Jan 18

**FT Arts Guide e-mail:**  
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GENERAL

Special October 25

Paul Meakins



# Weekend Investor

Wall Street

## Sometimes, things don't make cents

But this week's setbacks don't signal another collapse, writes John Authers

Some people are never satisfied. Corporate America has been releasing its results for the third quarter this week, giving the market a comprehensive update on its progress. The trend is clear, with profits generally ahead of expectation.

But the market has not reacted as you might think. Companies which disappointed with their results have been punished severely, as would be expected. But, in many other cases, results that seemed good - a few cents better than analysts' projections - have also led to sales.

Intel, the world's largest silicon chip manufacturer and a bellwether for the entire high-technology sector, provided a perfect illustration of the former phenomenon. After the market closed on Tuesday, it announced third quarter profits equivalent to 88 cents a share - three cents below the analysts' consensus estimate of 91 cents.

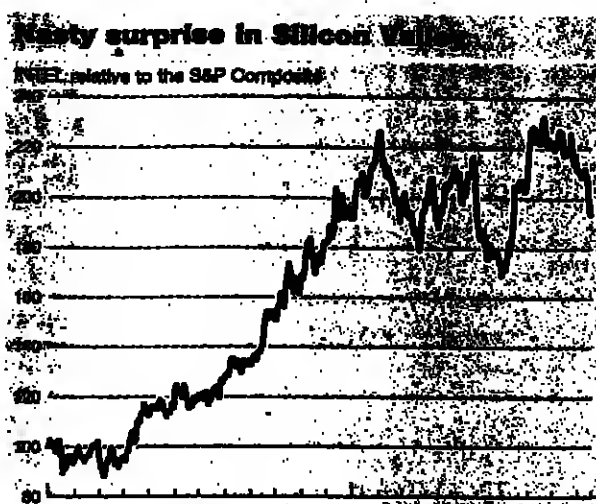
This was the first time Intel had fallen short of its consensus estimate since the end of 1996, and the result was nasty. It was the most actively traded stock on the Nasdaq market on Wednesday and fell 45¢, to \$64. It took the rest of the sector with it.

On Thursday, it was the turn of Merck, the pharmaceuticals giant. Its results were one cent below expectations and its shares went down 44¢ to \$97, a drop of 4.2 per cent.

But there were other cases where companies beat their forecasts and took a similar hammering. Compaq Computer, now the largest personal computer manufacturer, gained 33¢ on Wednesday, taking it to a new high of \$74. This represented a gain of more than 150 per cent for the year.

When Thursday dawned, Compaq duly unveiled better than expected results and a rosy sales forecast for the coming quarter. Its shares went straight back down again, dropping \$4 to \$78.

Several other companies surprised the market on the upside and saw their shares fall. These included the computer manufacturer Texas Instruments; the investment bank Merrill Lynch; Bank



America, the largest bank in California; and the paper companies International Paper and Weyerhaeuser.

As a result, the stock market has sagged steadily throughout the week, with all the main indicators falling, in spite of economic news on inflation and retail sales which was generally positive. The Dow Jones Industrial Average opened the week at 8,045.21, climbed a little and then took a tumble on Thursday, slipping back down through the 8,000 level at 7,938.88. In morning trading yesterday it had slipped further, to below 7,900.

The Nasdaq Composite, particularly exposed to Intel, has fared worse. After opening the week at 1,739.03, it recorded successive falls through the week and was just above 1,676 in morning trading yesterday - one of its worst weeks of the year.

This, in turn, has evoked comparisons with the events of 10 years ago when the market also had a bad week and much worse followed. Tomorrow is the 10th anniversary of the Black Monday collapse after a weekend of jitters. It is, however, a big stretch of the imagination to point this week's results as a signal that the Dow is set for another fall of more than 20 per cent.

With the market at its present high level, and still close to the all-time record, there is little margin for error in companies' valuations. So, falls in share prices may make sense even if results appear to be ahead of forecast.

Moreover, several companies have taken the chance to make extremely guarded forecasts for the next quarter, including Intel, Weyerhaeuser and Caterpillar. And the game of forecasting expectations has developed in the past few years, with investor relations staff determined to ensure that their companies do not provide a "negative surprise".

This means that they spend the last few weeks before the announcement trying to persuade analysts to reduce their estimates. Thus, earnings figures only marginally ahead of expectation often are sufficient cause to sell the stock.

As Larry Rice, chief investment officer of Josephthal Lyon & Ross in New York, puts it: "Wherever you have a market close to record highs, you have very little margin for surprises on the upside. So, if a company is only a penny above expectations, shares will go down."

Indeed, taking a judicious amount of profits when the market is near a record is more credible as a sign that dealers are determined not to allow a crash this time around. Rice is not alone in suggesting that this week's profit-taking is part of an orderly correction, not the beginning of a slide towards a crash.

**Dow Jones Ind Average**  
Monday 8072.22 + 27.01  
Tuesday 8086.29 + 24.07  
Wednesday 8057.98 - 38.31  
Thursday 7938.88 - 119.10  
Friday

A man in love is incomplete until he's married. Then he's finished.

- Zsa Zsa Gabor

The sound of wedding bells drowned out the nervous chattering of teeth this week as the market's worries about interest rates took second place to a burst of merger mania.

Chief executives are rarely more happily engaged than when they are planning to merge with, or take over, their rivals, even though academic studies have cast much doubt on the benefits of acquisitions.

Empire-building is certainly a factor, as is the knowledge that the appropriate salary for the head of a \$2bn company is much larger than that of a \$1bn company.

But acquisitions also fulfil the need, partly created by the incessant questions of analysts and journalists, to

be seen to be doing something.

It is easier to go out and acquire a business than to build it yourself. And, after years of cost-cutting, it might also be easier to find savings in someone else's company than in your own.

There are, of course, plausible strategic reasons for many deals - such as this week's merger between the financial services arm of BAT Investments and Zurich, the Swiss insurance group. This simultaneously achieved the long-awaited split between BAT's tobacco and financial interests, and made Zurich a global player in the financial services market. It was well received initially in the markets but enthusiasm, and the BAT share price, drifted off later.

The Reed Elsevier-Wolters Kluwer merger was another strategic deal, creating a global player in the publishing industry.

The takeover bid for Red-

land by Lafarge of France - and, indeed, the agreed deal between Federal Mogul of the US and T&N - belong to a different category. In each case, the bid target has been made vulnerable by a specific problem - the German market for Redland, asbestos liabilities for T&N - which has given the predator the chance to expand in its industry.

The wave of mergers was not confined to the UK, including as it did a deal between a Swedish and a Finnish bank and a bid for a French insurer from an Italian conglomerate.

Many of these deals seem predicated on the idea that a single currency will create a single European market in which there will be much more opportunity to take advantage of economies of scale. Many industries have structures that make sense on a national basis but look fragmented on a Europe-wide assessment.



Mergers to match Zsa Zsa's husbands

For the markets, the deals not only cause share price rises in most of the companies concerned but prompt speculation about which other groups might attract bids. And, sure enough, there were rumours yesterday about Vodafone, no doubt inspired by thoughts of restructuring in the telecommunications industry following the increasingly complex bid battle for US group MCI (involving British Telecommunications, WorldCom and GTE).

All this activity (which included a breakthrough in the Guinness/GrandMet merger when French group LVMH dropped its opposition) normally would have heralded a bumper week for the UK market. It is a measure of investor nervousness that the FTSE 100 index gained only 44 points on the week.

Nervousness ahead of the 10th anniversary of the 1987 crash was one factor - markets are not the rational entities academics sometimes suppose - as was this Monday's launch of the stock exchange's new order-driven trading system.

The international background was a worry, too. Concern about a rise in US interest rates, following some strong economic numbers, had a knock-on effect on the Hong Kong market. Wall Street itself suffered the odd wobble, with the Dow Jones Industrial Average plunging 119 points on Thursday and another 80-plus points early yesterday.

After such a long bull run, world markets could face the

problem that all the news - low inflation, interest rates, earnings growth - tumbled into prices. A recent survey of fund investors, published in the New York Times, found they were expecting an average annual return over the next decade of 8.5 per cent.

While the same level of euphoria has been seen in

London, the UK market's trading on a price-earnings ratio of more than 30, as measured by the new financial index, is at a level that has proved in the past to be a bit of a barrier to further progress.

While the market's mood of this week could trigger a crash of 1987, the economic conditions that prevailed then - sharply rising bond yields and inflation - are absent. Nevertheless, Richard Dingswall-Smith, of broker Sutherland, says most UK and overseas asset classes are expensive.

"Our projections now show enough of a fall in the UK equity market to produce a negative total return on a one-year view," he says. "Bonds offer a better prospect but could also produce returns inferior to cash."

He thinks Footsie could drop to 4,950 by the end of September 1998, a long way below the 6,000 target being touted by some bullish analysts. But then, there are almost as many views on the market as Zsa Zsa has had husbands.

### Time for a new merger boom?



### Highlights of the week

	Price	Change	% Change	52 Week High	52 Week Low
FTSE 100 Index	8072.22	+27.01	+0.34%	8230.00	7800.00
Aggregate	8072.22	+27.01	+0.34%	8230.00	7800.00
Aviva Europe	1914	+13	+0.7%	1945	1824
BAT Inds	686	+34	+5.0%	824	411
BT	4724	+28	+0.6%	4850	3450
Ena China Clay	2924	+23	+0.8%	2950	1890
GLN	14324	+367	+2.6%	1480	907
Grand Met	6254	+504	+8.1%	634	4254
Guinness	63	+2	+3.2%	64	424
HSBC (750 shares)	1998	-85	-4.3%	2380	1218
Redland	342	+84	+24.6%	482	2114
Reed Int	637	+105	+16.5%	648	5084
Wolters Kluwer	1914	+13	+0.7%	1945	1824
Smiths Inds	9174	-39	-0.4%	9304	7094
Standard Chartered	780	-24	-3.1%	10834	6444
Hong Kong falls					

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Barry Riley

## The combine harvesters

But the next step could be a demerger boom



It seems just like the old days. Takeover bids have been coming thick and fast this week, at the most rapid rate since the boom of the late 1980s. It is a typical blow-off at the tail-end of a bull market, or should we believe the earnest assurances that there are solid strategic reasons for the outbreak of mega-deals?

True, there is an important cross-border emphasis to most of these big deals. The combinations are intended to increase global reach, cut costs and enhance shareholder value. But whereas the old key concept used to be "synergy", the new buzzword is "focus".

Within the UK, takeover bids peaked at £27bn in 1989 and dipped to as little as \$8bn by 1992. Activity has surged again in the later 1990s. Even Continental Europe has caught the takeover bug, with the Italian insurer Generali making a hostile bid for ACF in France. But we should beware. While huge new combines are being put together, we have also seen told this week that the struggling W.F. Smith is to dispose of the Waterstone's book chain it bought during that old 1980s merger boom. The new spin-off strategy will, or, enhance shareholder value, we are assured. Sharp-eyed readers will spot a contradiction here.

There are fashions in takeovers, like everything else. Once, rambling empires were built, with tobacco companies owning insurance businesses and whisky companies deciding to go into pharmaceuticals.

Chairmen would patiently explain the need for three (sometimes more) "legs" to their groups, helping to smooth the earnings' cycle - although, paradoxically, they also aimed to "fire on all cylinders".

Takeover bids soon became self-justifying because each deal involving the issue of high-yield paper would enhance earnings and/or assets per share. Years later, the unmanageable

strength and self-confidence. It is they who want to control their diversification directly, through the stock market. The individual companies themselves must "focus" in order to fit neatly into slots in the portfolios. So, this week, BAT Industries decided to sell its financial services arm to the Zurich insurance group.

Global investors are increasingly structuring their international funds according to

shareholder's interests through over-generous bids is not such a common problem as it used to be in, say, the 1970s.

Smaller companies are less favoured, though. Years ago, they were often the raw material for the conglomerates. Today they are left out in the cold while the stock market's giants prey on each other (in the process, reducing the availability of big company equities) before floating off their misfitting fringe businesses as new smaller companies.

(Increasing this over-supply in that sector). The number of UK bids has dropped by two-thirds since the late 1980s, although the total value is much the same.

The puzzle remains, however, why do these takeover surges always happen at the top of the market? Surely buyers would not think, would they, that prices were low. Of course, the bull market, investors are predisposed to get carried away positively. Many of the companies become convinced that their supreme skills are they may simply be pecking at the joints of the scramble. But difficult times will return, for sure, and then management will discover that new technology has not, after all, made it suddenly easy to manage their far-flung empires. Therefore small companies will run things around them.

The next stage could be a demerger boom, involving more than just the odd flapping of bookshop chains. Investors will doubtless think that is a wonderful idea, too. Investment bankers certainly will.

### Whereas the old key concept used to be 'synergy', the new corporate buzzword is 'focus'

empire would stumble and "reverse into cash", but not before fortunes had been made. By the 1980s, the concept of the conglomerate had been fine-tuned in the UK by the likes of Lord Hanson and Sir Owen Green. A steadily rising stream of earnings and dividends could be conjured from ingested corporate raw materials.

Everything from fishmeal companies to brickmakers could be stirred into the pot. Eventually, though, it became clear that making the assets sweat in this artificial way was destroying shareholder value rather than creating it. Hanson broke itself up last year while BTR, Green's creation, is about to reinvent itself as a coherent engineering group.

Shareholders, rather than management theorists, have been driving much of this. In recent years, the big investment institutions have gathered

industries (called sectors) rather than countries. This gives expansionist managements a better chance to gain shareholder support for cross-border mergers.

The focusing concept, however, is flawed. Look, for example, at retail banking (which, anyway, includes several different businesses, ranging from savings accounts and credit cards to portfolio management and long-term investment products). The point is that the future might well bring convergence between banking and other sectors such as telecommunications and the media. It would be unfortunate if the chosen format of institutional funds were to inhibit such developments.

An important positive change, however, is that total executive remuneration is linked strongly to share prices, through stock options, so that the dilution of

Offshore managed funds and UK managed funds are listed in Section One

مكتبة الأمل



# WEEKEND INVESTOR

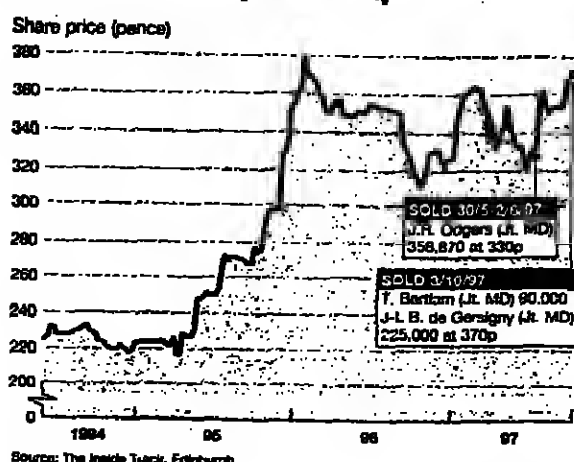
## Directors' share dealings

Transactions in own companies October 8-10, 1987

Company	Sector	Shares	Value £'000	No of directors
SALES				
ASDA Group	Retail	255,200	396	1
Bank of Scotland	Bank	18,042	83	2
CLG Holdings	Prop	1,300,000	1748	2
Filtronic Comtek	Elect	80,000	381	1
Fluorid Group	Dist	1,500,000	5100	1
Fluorid Group	Dist	25,000	78	1
Fluorid Group	Dist	8,560	18	1
Fluorid Group	Dist	315,000	1186	2
Fluorid Group	Dist	20,714	187	1
Fluorid Group	Dist	50,000	183	1
Fluorid Group	Dist	1,000,000	685	1
ASDA Group	Retail	781,882	1228	2
British Land	Prop	33,095	237	1
Barford Holdings	Prop	2,434,558	2678	1
Cap & Rag Prop	Prop	249,902	687	2
Higgins (John)	Prop	25,000	28	1
London Forfeiting	Offsh	400,000	1780	2
Moss Bros	Retail	150,000	408	2
Stagecoach Holdings	Trans	25,666	172	1
PURCHASES				
Ascor Holdings	Dist	100,000	279	1
Ascor Holdings	Dist	100,000	60	1
Ascor Holdings	Dist	40,000	15	3
Barclay Healthcare	Hlth	21,794	116	4
Blocomp Holdings	Hlth	18,500	20	1
Coast Insurance Hldgs	Insur	8,371	18	1
Cowling & M	Elect	48,000	36	1
Global Group	Elect	500,000	82	1
Havelock Europe	Elect	10,000	28	1
Hertys	Dist	10,207	38	1
Heywood Williams Gp	BM&M	9,000	19	1
Highbury House Comm	Media	600,000	60	1
Highbury House Comm	Media	45,000	57	2
Mid-States	Dist	300,000	42	1
Murray Smith Markets	Dist	5,000	24	1
Nichols (Winton)	Dist	1,000,000	2168	1
Primesight	Media	25,000	26	1
Primesight	Media	200,000	57	1
Quintilly Software	SSR	18,529	45	7
Radland	BM&M	10,000	22	1
Radland	BM&M	45,000	28	2
SEET	Text	52,000	16	2
Troacore plc	L&H	295,000	59	3
Ugland Int	Trans	140,000	118	2

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This table contains all transactions (listed and unlisted) including exercises of options (if 100% subsequently sold, with a value over £10,000, information released by the Stock Exchange. Shares traded are ordinary. Source: The Inside Track, Edinburgh, 0131-473 7070

## Intermediate Capital Group



The largest sale of the week was at Verity, the loudspeaker manufacturers, where Farad Azima, chief executive, sold 1 million shares at 68.5p, for personal reasons. Azima is due to replace Sir Gordon Brumton as chairman at the AGM next month.

At J N Nichols (Vintio), the soft drinks manufacturer, Peter Nichols, managing director, bought 1 million shares at 216.5p, taking his holding to 4.4 million. This is a major investment and follows a strong set of interim results in August, which showed a 17 per cent increase in earnings to 7.5p.

## Current takeover bids and mergers

Company	Value of bid	Value of shares	Value of bid	Value of bid	Value of bid
Applyd	80	78 1/2	68	53.28	Jrds Int. Mtr
Bruntcliffe Aggs	37 1/2	35	39	20.14	Emulsion
Dwyer Estates	70	68 1/2	68 1/2	24.59	Park St. Props
GrandMet (A)	631	631	515	23.00n	Business
Harris (Ph)	308	267 1/2	240 1/2	34.19	Movara
INSTEAM	210	205	205	9.87	Melale
Interstate Telecom	74	70	53 1/2	24.64	Shaker
Kingstony	287	204	173 1/2	53.20	H&C
MSW	250	253 1/2	174 1/2	42.84	T&S Stores
Maring Indst	17	16 1/2	10	31.00	Activis AS
Peak	80	78 1/2	42	97.92	Thermo Power
Radland	320	342	257 1/2	1.67n	Lafarge
T&N	288	256	253 1/2	1.30n	Federal-Mogul
WEW	41 1/2	41 1/2	44	6.54	Brown & Jackson
Woodchester Ust(A)	283	237 1/2	240	574.44	EE Capital Corp

Prices in pence unless otherwise indicated. All cash offers. For capital not already held. † Unconditional. ‡ Based on lunchtime prices 17/10/87. † Shares and cash. ‡ Cash alternative. (A) Merging to form GMB Brands. (A) Irish currency.

## Results due next week

Company	Sector	Announced	Last year	Dividend (p)	This year
FINAL DIVIDENDS					
Active Computer	Dist	Thursday	-	-	1.8
Bolton	Dist	Thursday	-	-	0.2
Chorlton Athletic	Dist	Thursday	-	-	-
Creston Land & Estates	Prop	Monday	-	-	-
Int. Biotech	Prop	Monday	-	-	-
Lady in Leisure	Dist	Wednesday	-	-	-
Palerson Zachonis	Hlth	Thursday	2.65	13.25	6.5
Scottish Metro. Prop	Prop	Thursday	1.1	1.65	1.2
Westcoast Group	Eng	Wednesday	0.3	0.7	0.4
INTERIM DIVIDENDS					
Adrian Securities	Engl	Thursday	2.0	6.0	-
Burnside Int	PP&P	Friday	0.81	2.1	-
Dane Petroleum	Dist	Wednesday	-	-	-
David Brown	Eng	Thursday	2.65	5.75	-
Granatino Hldgs	Rdng	Wednesday	1.95	4.65	-
Harvey Nash	Sp&S	Monday	-	-	-
ICI	Chem	Thursday	12.5	19.5	-
Incepta Group	Med	Thursday	-	-	-
Lumina	Byrs	Thursday	2.33	4.57	-
Ocean Wilsons (Hldgs)	Trans	Wednesday	1	3.75	-
Over Ashworth	Dist	Thursday	-	-	-
Owen & Robinson	Rdng	Monday	-	-	-
Selon Healthcare	Hlth	Monday	2.7	6.1	-
SmithKline Beecham	Pharm	Thursday	1.78	5.7	2.45

Dividends are shown net of pension per share and are adjusted for any intervening scrip issues. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. † 1st quarterly. ‡ 2nd quarterly. § 3rd quarterly. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements. † Gross Dividends shown.

## Offers for sale, placings & introductions

Borle Home is coming to the market via a placing. Northern Recruitment Group is to raise £1.35m net via a flotation.

## The week ahead

**MONDAY:** Seton Healthcare is expected to reveal interim pre-tax profits of £9.1m (£7.9m) before exceptional charges - which could be between £2m and £3m - to cover the costs of the £21.7m acquisition of ThackrayCare in May. Brokers are looking for a dividend increase to about 2.5p (2.7p).

**TUESDAY:** SmithKline Beecham's third quarter results could show the company breaking through £400m pre-tax profit (£374m) and £28m in sales (no change) for the three months.

If it fails to hit those targets, analysts will be hunting for the culprit among the exchange rate hits and the rising costs of research

development and marketing. If it beats them, it is likely to pre-tax profits of £9.1m (£7.9m) before exceptional charges - which could be between £2m and £3m - to cover the costs of the £21.7m acquisition of ThackrayCare in May. Brokers are looking for a dividend increase to about 2.5p (2.7p).

**TUESDAY:** A strong US economy is expected to have lifted pre-tax profits at Wolseley, distributor of heating and plumbing equipment, to between £260m and £265m (£242.9) in the year to end-July.

**TUESDAY:** The market will want to see how Boxmore International, the Northern Ireland-based packaging group, has coped with intense competition in the sector and the strong pound when it reports its interim.

## Bids/deals

# Zurich, BAT in £23bn merger

Zurich, the Swiss-based financial services group, and BAT Industries revealed plans for a £23bn merger, writes Virginia Marsh. The deal, uniting Zurich with BAT's insurance and asset management arms, will create Europe's second-biggest insurance company.

The UK's Reed International is set to become part of an international publishing combine with its headquarters in the Netherlands after a £200m merger agreed between Elsevier, its partner since

1993, and Wolters Kluwer, a domestic rival. The new group will be the world's biggest supplier of professional and scientific information, with combined sales which last year would have reached £5bn.

Federal-Mogul, the US automotive engineer, finally leveraged agreed takeover of its larger UK rival, T&N. Its £1.5bn cash offer is 20 per cent higher than its initial bid approach three weeks ago, but some of T&N's shareholders said the 280p per share bid was not high enough.

W.H. Smith announced plans to spin off its Waterstone's books subsidiary and sell the group's two music chains, Virgin-Our Price in the UK and The Wall in the US. The plans were an unexpectedly radical riposte to Tim Waterstone, who earlier in the week presented Smith with revised plans to give cash and shares to shareholders. After they were rejected, Waterstone said he did not intend to pursue a bid.

BYR made an agreed \$555m (£261m) bid for Exide Electronics, a US-based

manufacturer of power supply systems. The offer trumped an earlier bid for Exide from Danaher Corporation of the US. The UK group is offering \$29 a share, compared with the \$22 a share tabled by Danaher.

Lafarge of France, the world's second-largest cement manufacturer, launched a £1.6bn hostile bid for Radland, the beleaguered UK tiles and aggregates company. The 320p a share offer comes after six years in which Radland's shares have lagged the market by 75 per cent.

## In the Pink

# Learning the lessons of the Crash of the Century

But 1987 was nothing special when viewed in a different perspective, argues David Schwartz

Exactly 10 years ago, investors were left dizzy by a stomach-churning drop in the London stock market. Shares fell 30 per cent in just two trading days. Is there any wonder, then, that the mere mention of the October 1987 crash fills most investors with dread?

But when 1987 is viewed within a broader historical context, a different perspective emerges. Speed aside, there was really nothing very special about it.

A second important lesson from history is that bear markets are getting shorter. In the first-half of this century, most of them ran for three or four years. Now, they often run their course in just a few months - which leaves investors with little time to get out of the way.

In terms of size, history provides several clues to help us anticipate the size of a coming bear market. On the upper end of the range are mega-drops that slam prices by over 50 per cent.

price increases and very high inflation. It was a time of no-growth in real terms, disguised by rapidly rising prices: what came to be known as stagflation.

UK investors were faced with the added burden of a Labour government that was believed widely to be anti-business and anti-wealth. This combination of international and local pressures was lethal. Shares finally bottomed after dropping 73 per cent, the UK's worst bear market.

the lessons from the past are clear. If all three critical ingredients - recession, abnormal retail price shifts and frightening political or social problems - are not in the mix, the odds are high that the downturn will be of lower intensity. With this in mind, and given present economic and political conditions, the chance that the next downturn in the UK will be of mega-proportions is low.

The remaining 16 bear markets that Britain has experienced since the first world war fit neatly into two groups: small drops of 15 to 25 per cent and medium-sized drops above 25 per cent. And history provides investors with a remarkably simple perspective that helps to forecast the category in which an up-coming bear market is likely to be.

The full bear market, which actually ran from mid-July to mid-November, was similar in length to other recent bear markets. Prices fell by 37 per cent, a bit more than average, but far from the biggest fall on record.

In retrospect, the so-called Crash Of The Century merely reversed a small part of an enormous, six year-long rally that preceded it.

Nevertheless, there are several important lessons to learn from 1987 and other stock market declines. First and foremost is the power of stock market momentum.

History shows that momentum can carry shares higher for many months after important warnings start flashing in the final stages of a bull market advance.

History shows that momentum can carry shares higher for many months after important warnings start flashing in the final stages of a bull market advance. In 1987, alarm bells rang early in the year

Since records began, there were eight bear markets that began within 30 months of a previous downturn. Each resulted in a small drop, and was eventually classified as a minor.

Eight other bear markets began more than 30 months after a preceding bear market had begun. Seven of the eight were larger drops in the 27 to 86 per cent range. A single exception was thrown off course by an election.

In 1987, alarm bells rang near the beginning of the year, yet prices rocketed ahead for six more months. A similar pattern occurred in 1972, just before the UK's worst-ever bear market. Eventually, though, even the most powerful rally comes to an end and prices fall. Throughout history, there has never been an exception to this rule.

At the bottom end are minnows that drop shares by 15-25 per cent. In the mid-ground are declines of average intensity, such as the decline in 1987.

Each of the four mega-drops that UK investors have endured since the first world war were associated with three identical problems:

There was a different inflation twist in 1928-32, the period of the Great Depression. UK investors of that era were victims of an amazing economic boom in the US. Vast sums of money were attracted to Wall Street, forcing up UK interest rates and throwing the British economy into recession.

There are no certainties when it comes to the stock market, of course. But 44 months have passed since the last bear market began in February 1984. History hints that the next downturn, whenever it begins, will probably not be a minnow of 15 to 25 per cent.

■ An economy in recession, or about to enter one.

■ Frightening political or social events causing many to fear for the survival of basic British values and institutions.

■ Highly abnormal retail price increases or decreases, well outside the normal range.

The bear market of 1972-74 is a good example. Investors throughout the world were demoralised by recession, large commodity

During the next four years, UK industrial output declined steadily and unemployment rose. Once again, consumer prices acted in an extreme fashion - but, this time, they fell.

Unbelievably, the British retail price index registered a drop of -7.8 per cent at one point. At their low, shares in the UK slipped 60 per cent from their peak.

While there are no guarantees for the future, David Schwartz is a stock market historian.

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## FT WEEKEND

True Fiction

## A giant leap from 'ooligan to 'ero

Kieran Cooke gets carried away when the conversation turns to football in an Italian restaurant

**D**ue to a nagging groin injury, it has been some time since I played football for Ireland. Aficionados of the game say my resilience in defence plus those daring dashes down the right wing ("Oh, the pinpoint accuracy of his cross," they would say), have been badly missed.

I am not usually given to such flights of fancy but desperate times call for unconventional measures.

I was sitting in the upstairs dining room of a Turin restaurant last weekend, quietly munching my way through a plate of *agnolotti*. Still to come was a main course of grive, a stomach testing dish made of calf's brains, nutmeg, pork liver, cheese and juniper berries. To finish I would attempt a slice of Gorgonzola, the whole combination washed down with a hearty local red. All was well with the world.

Then an unshaven face leaned into mine. "Inglese?" said the

whiskered apparition. "Ooligan?" "Pardon?" I managed to squeeze out between my pasta. "Football ingiest no good," said my new-found dinner guest. "Tutti 'ooligan."

The light went on. The Italy versus England World Cup qualifying match in Rome had just ended. The Italians take their football - *il calcio* - very seriously. Their fans - *i tifosi* - were not happy at being held to a draw. It was not a time to be alone and speaking English.

It is some years since I left the papal college in Rome and consequently my Italian is rusty. My vocabulary is more in tune with the Vatican than with the

outside world. Thus phrases such as "The cardinal is indisposed" and "His Holiness desires a sausage roll" present no problem. But dealing with angry *tifosi* is another matter.

No, I told the whiskered one, I was not English but Irish. A look of incomprehension clouded his dark and hostile face. He leaned further forward. Italians normally drink very little. My friend had obviously been trying single-handedly to bring the national alcoholic consumption up to a respectable level.

Another threatening face appeared over the gentleman's shoulder. They whispered to each other. "Ooligan" was the

only word I could distinguish.

I took a pen and drew a map on the paper tablecloth. I used the salt pot for London and the pepper became Dublin. Flourishing a gristly stick, I pointed out the two separate countries. For all the impression my artwork made on my guests I could have been explaining the internal workings of a vacuum cleaner.

The lady of the house, large with dark eyes and a no-nonsense look, came to the rescue. She replaced the *agnolotti* with a steaming plate of grive: the smell alone was enough to induce stomach cramps.

"Irlandese?" she said. "Che bello! Che passa magnifico! Con gente simpatico." The Irish Tour-

ist Board could not have done a better job.

Some years ago, the Irish football team came to Italy and was soundly beaten. The locals were amazed at the Irish fans' reaction. There was no anger or fist-cuffs. Just singing, harmless falling into fountains, dancing with statues, tears and laughter. Ever since, Italy has been enamoured with all things Irish.

The two interlopers were told in no uncertain terms to leave me alone. They did not. Hostility turned to ardent protestations of friendship. There were hugs and rough kisses. Calls for more wine. The calf's brains and pork liver was spoon fed into me.

The lady of the house took to pinching my cheek every time she passed. New customers arrived and were told of the foreign guest. Each shook hands and pulled up a chair.

By the time the cheese had been dispatched and the bottle of grappa was banged on the table, my Italian had improved considerably. My new friends were explaining their woes. God had not been kind to Italy: churches and opera houses had caught fire. There had been an earthquake at Assisi. And now the downfall of the national football team.

More grappa was poured. I asked about the government crisis. It was a silly question. "Quale crisi?" said the hostess,

with a shrug of her big shoulders. The Italians have discovered a great secret. There is no need for a government. Life continues perfectly well without.

The combination of grappa and grive seemed to set light to my imagination. Unwilling to disappoint my new friends I felt it was not enough to be a mere fan of the Irish team. Much better to be a player.

A slight exaggeration here and a misunderstood phrase there and I was on the pitch, an older but nonetheless important part of the Irish squad. The large lady became interested in my groin injury. My two old friends insisted on paying the bill.

Though the police might treat English soccer supporters as punchbags, most Italians are extremely welcoming to foreigners. But I had abused the local hospitality. I felt ashamed as I weaved my way up the cobbled alley. I had behaved like a cad. A real 'ooligan.

Metropolis

## No longer in good taste to growl

Decorum has arrived in Moscow, John Kampfner finds on his return

**S**he looked like the wife of a banker. Everything was ostentatious: the ill-fitting designer clothes, the gold-chained handbag, the platinum credit card. She had just bought five pairs of shoes, one made of crocodile skin, in a German-owned shop inside a new shopping mall on Petrovka Street. The assistant swiped the card and put the shoes in brown paper bags. "Is that all you can find?" asked the customer.

"Christ. You come in here, buy up a load of our shoes, then ask for special bags," came the reply.

That was the Moscow I left early in 1994, at the end of an exhilarating and turbulent four years as The Daily Telegraph's bureau chief - in which day-to-day experiences played on my mind at least as much as events such as the coup attempt against Mikhail Gorbachev, the dismantling of the Soviet Union and Boris Yeltsin's assault on the White House.

I had been to Russia almost every year since my first trip as a student in 1978. Initially furtive encounters turned into lasting friendships. So embarrassing was it then to invite Russians to restaurants - queues could be jumped if you said you

were foreign - that socialising took place in the home. There were some embarrassing moments, as when the mother of a friend explained she had taken the day off work - "we pretend to work, they pretend to pay us" was the old adage - and scoured Moscow for liver. Russians in those days did not use the word *kupits*, to buy, but *dostats*, to get hold of something. She had got hold of some liver, the only food I cannot abide. When vodka was opened in honour of the guest, it was extremely bad manners not to finish the bottle.

By the early 1990s, those same friends were enjoying the first fruits of consumerism. Everyone wanted to get into business, to become budding Gordon Gekkos. The new restaurants springing up all over town were absurdly expensive. Discos were meeting grounds for spivs and mafia hoods. Shops catered only for the top of the market. People would boast about how much they had spent on goods.

Foreign travel evoked extremes of emotions, often disparaging remarks about a particular country - "there wasn't much to see in Rome" was one of my favourites - perhaps as a reaction to having been forbidden from vis-



iting it for so long. On my return to London, it took forbearance to listen to Russian guests complaining about the dowdiness of the city.

So it was with considerable curiosity that I returned to the Russian capital earlier this month, albeit briefly, as part of the press pack accompanying Tony Blair.

The trip was arranged, and spun for a UK audience. The journalists were obsessed with the prime minister's performance on a radio soap opera with a small audience, funded by Britain's small Know How Fund.

This was like looking down the wrong end of a telescope. Yeltsin had other things on his mind. He was embroiled in another tussle with his parliament over the government budget, amid

threats that the Duma would be dissolved. For all the bear hugs and praise for Blair, Yeltsin was at the same time agreeing to a new tripartite co-operation agreement with France and Germany.

As Blair was dining with the Russian government's two foremost reformers - Anatoly Chubais and Boris Nemtsov - I sloped off to meet old friends. Olga, an architect, picked me up in her battered old Zhiguli. She had smashed into a police car the previous day. With no mechanics working on a Sunday, we wondered how long it would take for the traffic cops to flag her down this time. The answer was about two minutes.

Just outside the Lenin Library (whatever its new name, it's still called that),

we were hauled over. Nothing, I thought, changes. I was wrong. The policeman looked different. The uniforms are now designed by Slava Zaitsev, couturier to the Kremlin. He acted differently, too. He was polite and amenable to persuasion without a bribe.

We then took a peek at the new underground shopping centre (I was to see it properly the next day with Blair). The Manezh square, where anti-Communists would rally under Gorbachev and pro-Communists under Yeltsin, is being turned into a grandiose version of London's Brent Cross. This is the latest in a series of architectural wonders dreamt up by Yuri Luzhkov, Moscow's all-powerful mayor. Luzhkov has certainly

injected new life into the city. The gloom has been lifted from buildings in the centre of town, now scrubbed clean and tastefully lit. Proper shops, with modern fronts, have replaced many of the kiosks that heralded the advent of the consumer age five years or so ago.

It was then that the first late-night bars sprang up. My favourite, at the end of my street, was Bely Tar-

akan, the White Cockroach, an underground hide-out for those who considered themselves hip. It was forced to close after a couple of shoot-outs around the entrance. Not far from there was the *Ermitsazh*, where I threw my farewell party, but that too has made way.

In its place, Olga took me first to Angelicos, a restaurant with a "postmodern" ceiling designed by Vladik "Monroe" Mamyshev, a per-

formance artist thrown out of the army for dressing up as Marilyn Monroe. The service there, and in the *Kilpash bar* we went on to, in the courtyard of a block of flats by the fashionable Patriarch's Pond, was eye opening.

In the old days, the door would peek open with the words, "What do you want?" Now it is all "Good evening, do come in" and "Can I get you anything else?" It seems it is no longer considered necessary, or in good taste, to growl.

Decorum was similarly in evidence the following night at a reception given by the UK ambassador to enable Blair to meet leading Russians. Irrespective of coups and other calamities, the same faces have been rubbing shoulders at embassy parties year after year.

There was Yevgeni Kislyov, Russia's main TV political pundit; Grigory Yavlinsky, one-time reformist presidential candidate; Sergei Baburin, one of the more cerebral young nationalist members of parliament; and Arkady Murashev, one-time reformist chief of police. All lined up to shake Blair's hand.

Blair seemed as intrigued and perplexed at the intricacies of Russian domestic politics as he had been earlier in the day with Yeltsin.

One particular conversation in the corner of the room caught my eye. It was Gennady Zyuganov, the Communist who challenged Yeltsin in last year's elections, in heated conversation with Vladimir Gusinsky, head of the Most bank and top media mogul. While some things in Moscow have changed, the pre-eminence of bankers apparently hasn't.

John Kampfner's "Inside Yeltsin's Russia: Corruption, Conflict, Capitalism" is published by Cassell.

Arcadia

## Bright lights, big river

John Authers visits the lengthening string of casinos built on the Mississippi

**E**very hour, on the hour, a shuttle bus departs from a seedy bus depot on Elvis Presley Boulevard, in the grey outskirts of Memphis, Tennessee for an hour-long trip. It takes its cargo of mostly black and working class passengers to the bright lights which have both illuminated and enraged the Mississippi Delta.

They are on their way to Tunica County, Mississippi, the new and unlikely casino capital of the Deep South. Only Las Vegas has more casinos.

Overwhelmingly populated by blacks, Tunica was labelled "America's Ethiopia" by the civil rights leader Jesse Jackson in 1985, at which point it had the highest proportion of families below the poverty line, and the lowest median income in the US. Isolated in the north of the state, barely 30 per cent of its citizens had even managed to graduate from high school.

In what seemed an act of total desperation, Tunica voted three years ago to legalise gambling, taking advantage of lenient regulations offered by the state. There are qualifications. Gambling in many states is

restricted to Indian reservations. In Tunica, there is no gambling on dry land. All its casinos must be built on riverboats moored in the Mississippi. Farther south, on the Gulf coast, casinos are moored at sea.

But the casinos' composite effect as they come into view on the horizon is startling. At first, the journey takes the bus through typical American suburban sprawl, with drive-in McDonald's and Pizza Huts to mark the way. Then it gives way to stereotypical scenes of the rustic south - caravan parks full of manufactured homes, and white-washed chapels. Then the bus crosses the state border into Mississippi and moves through flat, lush cotton fields.

When Tunica's casino strip comes into sight, it looks like a firework display on the horizon - a wall of lights in the darkness over a flat landscape. It stretches in a straight line for miles, all in glorious isolation.

Even when the bus draws up at the first casino, a neon-clad evocation of a Hollywood studio, the Mississippi itself remains invisible. Each casino is built on solid concrete stilts, with bridges so wide that the water beneath is never seen.

The casinos borrow their architectural inspirations from Las Vegas and inside, too, they are just like their Las Vegas counterparts. Dominated by the ringing of one-armed bandits, they are decorated with murals of nymphs and shepherds in pastoral surroundings.

But the stakes give away that this is not Las Vegas.

**'I was \$60 up but carried on till I lost it all again. But I had so much fun.'**

Gambling on the slot machines starts from as little as 10 cents a time. The more glamorous games, such as poker, blackjack or roulette, require higher stakes to take part, but the tables are almost deserted on a Monday night. Instead, the local clientele focuses on the machines.

Everything is focused on making it as cheap as possible for locals to gamble. The hourly shuttle service from Memphis costs \$15 - not unreasonable for a two-hour

round trip - and the fare includes \$10 worth of betting chips. The play works.

Gambling is an awkward issue in the Deep South. Memphians refer to their city as the "Buckle of the Bible Belt". On Sunday mornings, the locals can switch between six television channels without ever escaping evangelical preachers, who think gambling sinful. Tennessee does not even allow a lottery.

Mississippi, on the other hand, decided desperate measures were in order. The state has lenient limits on stakes, and on the concentration of casinos it will allow in one place, and has a far more liberal tax regime for the gambling industry than any other state bar Nevada.

Growth has been explosive. The state as a whole received \$288m in gambling taxes last year, while Tunica's casinos generated \$106m in revenues in the month of June alone. Some of this money is now being reinvested in the area.

But Tunica cannot happen in isolation, and the development faces opposition on many fronts. Business leaders in Memphis, the region's traditional heart, are worried. They now face the real

risk that they will lose precious revenue from tourists visiting the Elvis Presley shrine at Graceland, who can now move on to a far bigger range of hotels in Tunica than they can find in Memphis itself. When it is completed later this year, Tunica's 32-storey Gold Strike Casino Hotel will be Mississippi's tallest building.

While Tunica was virtually destitute before, the casinos have brought jobs. But now local people are now under pressure to move away to allow further development. This causes deep resentment. But the crowd in the bus driving back into Memphis seem happy enough. Naomi, a grandmother from the Memphis outskirts, reminiscing how she was \$90 up within half an hour of starting to play.

"Man, I was singing and dancing. I had people coming over just to look at me." Was she happy because she had won so much money? "Oh no, I carried on till I lost it all. It'll be weeks afore I can play again. But I had so much fun. I just love the lights and the people."

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